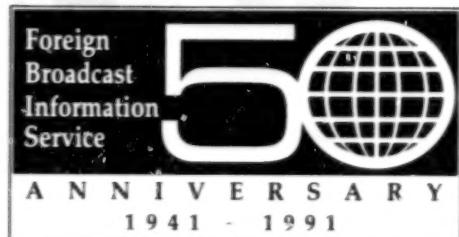


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# ***JPRS Report***

# **Soviet Union**

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***WORLD ECONOMY &  
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*No 11, November 1990*

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[The following are selected translations from the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations of the USSR Academy of Sciences. Refer to the table of contents for a listing of any articles not translated.]

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World Economy & International Relations

No 11, November 1990

English Summaries of Major Articles

914M0003A Moscow MIROVAYA EKONOMIKA /  
MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 11, Nov 90 (signed to press 15 Oct 90) pp 158-159

[Text] In his article "West-South: Exploitation or Cooperation?" A. Elyanov writes about groundlessness of "class approach" towards international economic relations along the line West-South. The author acknowledges the costs and expenses of the colonial period but notes that colonial-type relations were based on comparative advantages and mutual complementarity of both sides. Notwithstanding some problems it contributed to the acceleration of economic development of colonies and civilized them to a certain extent. At present the South gains even more from economic ties with the North. To some extent it can be explained by elimination of economic coercion, which gives the possibility for non-equivalent exchange. The West profits of course from the export of loan entrepreneurial capital but that is only the pay for transfer of resources. The amount of that pay is determined by market conditions and not fixed arbitrarily. That phenomenon can't be explained within the framework of Marxist theory with its conceptual arsenal and can be adequately analyzed only with the help of the set of instruments of neoclassical theory of "production factors." The author considers that an objective assumption of what was previously called "exploitation of the third world" is important for deeper perception of a true nature of its economic relationship with the West. It would be also useful for better understanding of a wider set of problems, including certain crucial aspects of the contemporary Soviet economic reforms.

"Third World: Concept and Reality" by S. Kostrikov, I. Tarasov. The notion "Third World" emerged in the period of confrontation, Cold War and covered a broad group of nations whose main feature was underdevelopment.

The phenomenon of underdevelopment constitutes at the same time a pressing problem of global dimension. Closely connected with the notion "Third World" was earlier "national-liberation struggle." The authors maintain that now the latter has already exhausted its potential. Former colonies prefer at present to use evolutional methods of solving urgent problems. The Third World itself has ceased to be an arena of confrontation between the two systems. Hence the need is obvious to put the economic relations between the Soviet Union and the countries of the Third World on commercial, mutually beneficial basis. On the one hand the Third World is undergoing the process of differentiation and even disintegration, on the other—the aggravation of underdevelopment in all its manifestations. The North-South formula acquires today new meaning, namely "the North" encompasses all the developed countries.

They should together try to neutralize the most pernicious aspects of underdevelopment (for example, its ecological consequences) for the sake of mankind.

V. Faltzman's article "Conversion and Economic Reform" is devoted to one of the most popular undertakings in the economic reform in the USSR. The author mentions several reasons which dictate urgent necessity to reduce military expenditures and carry out the conversion of the USSR defense industry complex. Among them—social factors: Soviet society cannot any longer accept a priority of defense programs to the detriment of social ones; financial and economic factors in connection with the State budget deficit; economic factors conditioned by backwardness of non-defense sectors of the economy; external economic factors: curtailment of the international markets of weapons. The author shows the potential of efficient conversion program for the success of the economic reform, and argues that the failure of conversion would discredit the entire Perestroika. The author analyzes the ways to ensure a self-financing of the conversion program and to raise its efficiency.

In the article "The Neoconservative Model of Social Relations" S. Peregudov analyzes the complex of ideas and principles, which constitute the conceptual base of contemporary conservatism. The author emphasizes a substantial difference between an ideal model and real results of conservative policy. He describes this difference on three main levels: industrial relations, interest group interaction and the functions of state. At each of these levels he shows how real situation compel conservatives to introduce some serious corrections into their initial intentions. As a result of this social and political relationships in the West, the author concludes, have not been drastically changed, and conservative model has not replaced the social-democratic one (described by the author in the article, published by this journal in May), but coexist with it. So, the competition between the two models continues, and this is one of the main driving forces behind the development of Western societies.

In the article "Neo-Conservatism: What After" K. Kholodkovskiy argues that at present in the West there is no reasonable alternative for the model of development that was formed mainly under the influence of neo-conservatism. But does it mean that this is an everlasting ideal? The author shows that in spite of the fact that this model is rather "elastic" and unites neo-conservative, neo-liberal, Keynesian approaches and more or less successfully helps to solve the main problems of economic effectiveness, scientific and technical progress, mass welfare, social-political stability, still many other problems stay unsolved. The most serious danger for the existing model arises from the complex of global problems. There are also some serious contradictions in the social development of every country of the West. As a result a new field for the competition of the alternative approaches appears. But in the competition of the different alternatives there should not be any place for confrontation, for the fight aimed at total destruction that took place in the past. Any alternative is vital only if

it incorporates all the positive factors in the positions and experience of the predecessors. The historical future in fact is formed only by the joint efforts of the forces being in the process of arguing.

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### Third World: Concept and Reality

914M0003B Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 11, Nov 90 (signed to press 15 Oct 90) pp 21-32

[Article by Sergey Petrovich Kostrikov, candidate of historical sciences and deputy department head at Social Sciences Institute of CPSU Central Committee, and by Igor Serafimovich Tarasov, acting docent at same institute]

[Text] The term "Third World," in spite of the different meanings with which it has been invested in domestic and foreign literature, has found a permanent place in the academic and political lexicon. For many years the large group of countries covered by this term was viewed as an important autonomous factor in world politics.

The Third World is made up of a group of states which were once colonies and semicolonies but are now politically independent and occupy a special place in world politics and the world capitalist economy.

Any analysis of new world political realities necessitates an examination of recent tendencies in the Third World's own development and its changing role in international relations. It is clear that the old, familiar image of the Third World is no longer consistent with these new realities.

#### I

The term "Third World," along with many other common terms in our social sciences, first made its appearance in bourgeois sociology. It was coined by renowned French sociologist and demographer Alfred Sauvy in the beginning of the 1950s. The term was inspired by a famous remark by Abbe Sieyes, a political figure in the great French Revolution: "What is the third estate? Everything. What does it represent in the political structure? Nothing. What does it want? To become something." Sauvy remarked several times that "this Third World," which, just as the third estate, "has always been nothing, might become everything someday."<sup>1</sup>

By 1956 Sauvy's catchy term had already been used as the title of a scientific work published by the International Institute for Demographic Research<sup>2</sup> and was being employed by the famous African sociologist Frantz Fanon. For some time it was more likely to be used by the leftist radical intelligentsia, which focused attention on the revolutionary potential of the Third World and tried to promote revolutionary methods of strengthening the influence of Latin America, Asia, and Africa in world affairs.

Gradually, the term began to be used more and more widely in the news media and academic literature. It was employed by people with different political views—from the Right to the extreme Left—and it even became part of the UN political lexicon.

From the very beginning, irrespective of the views of different authors, the term "Third World" was ideologized to a considerable extent. Besides this, it was invested with a broad range of meanings. The Third World was associated with the "world village" and with the "new emerging forces" (a term coined by President Sukarno of Indonesia) and was equated with underdeveloped or poor countries and with the Movement for Nonalignment. There were theories in which the Third World was interpreted as the psychological state of the segment of humanity that had been oppressed for centuries by representatives of the European civilizations. Several experts who did acknowledge the real existence of the Third World expanded its historical boundaries considerably. Assuming that the anticolonial struggle was one of the factors contributing to its formation, they dated its creation back to the time of the Spanish colonies' fight for independence in Latin America. A few Asian and African countries which had managed to retain formal sovereignty during the colonial era (Liberia, Ethiopia, Siam, Persia, and others) were also added to the group.

In this way, the term accommodated a variety of sometimes conflicting theories with an ideological or social emphasis, and some focusing on political, economic, psychological, ecological and other factors.

This was accompanied by a tendency to confine the term to a rigid geographic and territorial framework and to break the Third World up into "subworlds" on the basis of arbitrarily chosen criteria. All of this caused the term to become more and more ideologized and mythologized.

The differing interpretations naturally gave rise to criticism of the term "Third World" itself and the phenomenon it defined.

The critics—on the Right and the Left—ultimately agreed that the term did not reflect concrete reality. Furthermore, those with Marxist or analogous views denied the very existence of the Third World because it conflicted with the orthodox view of the world revolutionary process.

In 1979, for example, F. Castro declared: "The world is divided into capitalist and socialist countries, into imperialist and neocolonial countries, into colonizing and colonized countries, into reactionary and progressive countries...."<sup>3</sup>

In his book "Imperialism and Revolution" (1979), E. Hoxha wrote: "The tendency to divide the world into three worlds, into the 'first,' 'second,' and 'third' worlds, as the Chinese revisionists do, and the refusal to view it through the prism of class interests, are a departure from the Marxist-Leninist theory of class struggle and a denial of the proletariat's struggle against the bourgeoisie for a transition from the backward society to the new socialist one. The division of the world into three parts ignores the distinctive features of our era, impedes the progression of the proletariat and the people toward revolution and national liberation, and erects obstacles obstructing their struggle against American imperialism, against Soviet social-imperialism, and against capital and reaction in each country and each corner of the world."<sup>4</sup>

In 1974 the famous French leftwing radical R. Debray asserted that the invention of the "Third World," this "fanciful projection of the third estate in France on the eve of the 1789 revolution to the contemporary capitalist world was a stroke of genius in bourgeois ideology." In his opinion, the Third World was "a Eurocentric term," an "dynamic ideological pattern" corresponding to "no real geographic or historical object.... It is a shapeless sack in which people, races, civilizations, and continents are dumped and mixed together, so that they will be easier to obliterate."<sup>5</sup>

The criticism from the Right also proceeded from the assumption that the "Third World" was an illusory term and viewed it as an attempt by the developing countries to ideologize international relations and lay a theoretical foundation for their struggle against their former mother countries with the help of the United Nations. In 1984 the head of the American UNESCO delegation said that "if there were no United Nations, there would be no so-called Third World either."<sup>6</sup>

Political figures in the Third World itself also criticized the term. One of their main arguments against the actual existence of a Third World was the fact that it was made up of countries and people with different cultures and on different levels of historical development.

Several Third World leaders agreed with the leftwing radical critics. In 1973, for example, Algerian leader H. Boumedienne commented that "whereas the world was divided into two blocs—communist and capitalist—in the past, today we feel that it consists of two halves: the rich world and the poor world."<sup>7</sup> A similar point of view was expressed at the conference of nonaligned countries in Harar in 1986 by M. Qadhafi. This criticism was virtually tantamount to a denial of the very phenomenon of the Third World.

Other critics asserted that the term "Third World" was not an accurate portrayal of the newly liberated world. Other terms, with more specific political and technical-economic meanings, were suggested as substitutes for the term "Third World," which many researchers found amorphous. These terms included "underdeveloped

countries," "developing countries," "emerging countries," "exploited countries," "countries with a deformed economy," "poor countries," "backward countries," "center-periphery," "North-South," etc.

The critics of the Third World concept also acknowledged, however, that all of these alternative definitions and terms were inaccurate in many cases and were too confining. Most felt that, in spite of all the criticism, the term "Third World" was still the most convenient and comprehensive.

It would still be useful, however, to single out the constructive portions of this criticism. First of all, there was the acknowledgement that, in spite of all the heterogeneity of the Third World, it did exist as a real entity as a result of the influence of external circumstances (compare this to Debray's reference to the "sack" above). Second, virtually all of the critics who comment on the quantitative and qualitative diversity of the elements of the Third World nevertheless acknowledge the existence of several common features in all of these countries.

## II

The term "Third World" began to be used widely in Soviet academic literature in the early 1970s.<sup>8</sup> In our opinion, there were two basic tendencies here. The first was the tendency to use the terms "Third World" and "Third World countries" as synonyms for "developing countries," "newly liberated countries," and "young states."<sup>9</sup> This tendency can be seen most clearly in the work "Razvivayushchiye strany v mirovoy politike" [The Developing Countries in World Politics] (Moscow, 1987), where the first section is entitled "The Developing Countries and the World Community," the second is called "The Newly Liberated Countries in the World Revolutionary Process," and the third has the title "The Sociopolitical Development of the Young States." In the most recent publications, this approach is found in an article by A. Solonitskiy: "In its present interpretation, the term 'periphery of the world capitalist economy,' just as the 'Third World,' is only a variation on the term 'developing countries.'"<sup>10</sup>

Another approach was taking shape at the same time. This was the tendency to view the developing world (called the "Third World" by some authors) as a group of countries and regions united by common mechanisms of development and participation in international relations, civilizational and cultural features, etc.<sup>11</sup> The hope of separating studies of regions and countries from the analysis of the developing world as a community populated by almost half of the people on this planet has motivated some contemporary scholars to suggest that "Third World studies" be treated as a separate field of research.<sup>12</sup>

In this presentation of our own views on the Third World as a community of countries and regions and on its origins, we would like to focus on two significant factors.

First of all, the Third World is a historical term, engendered by a specific set of historical circumstances. The very appearance of the term would have been impossible if the former colonies had not entered the world arena after winning their independence as a result of the national liberation movement and the collapse of the colonial system. When these countries won their independence, they had to find their own place in world politics, then dominated by the confrontation between the two socioeconomic systems. Therefore, the confrontation between the world systems was one of the decisive factors in the creation of the Third World. During a specific stage in the development of the confrontational model of international politics, the creation of the group of countries known as the "Third World" became a necessity. On the one hand, there were objective and subjective factors keeping the former colonies and semicolonies from taking the path we call socialist; on the other, the priorities of their own development—although they were part of the world capitalist economy—estranged these countries from the developed capitalist countries in many areas.

Second, in spite of all the diversity of the countries in this group, they have several common features, defined collectively as "underdevelopment." This is generally interpreted as a set of quantitative indicators: a lower level of social and economic development, a lower level of education, a predominantly rural population, etc. All of this is commonly viewed as the result of colonial and neocolonial exploitation. Without giving up the use of quantitative indicators, we nevertheless believe it would be advisable to regard underdevelopment primarily as a set of qualitative parameters, the most important of which are the practice of colonial exploitation, which largely predetermined the subsequent pattern of development, the country's position in international capitalist division of labor, the socioeconomic structure of its society, and the degree of its receptivity to modern forms of social relations and modern technology. Besides this, underdevelopment is a civilizational and historical state. It would be fundamentally impossible for all elements of the Third World to surmount it simultaneously. This would call for different technological models in different groups of countries, depending on the recipients' capabilities. We could say that one of the patterns of socioeconomic development that is now regarded as an impasse (the least developed countries) is not absolute in nature and is likely to evolve under the influence of new historical conditions.

Therefore, underdevelopment is the basic common feature of all the countries in this group. Nevertheless, because it reflects all of the global problems of mankind in their most extreme form, it must be viewed as one of the most acute problems of all mankind. Underdevelopment and the whole set of global problems are essentially a product of modern civilization. The compound problem resulting from their interaction, which could more precisely be called a synthesis, is the greatest challenge mankind is facing today. This means that the

Third World plays a dual role in world politics: It is an important active participant in international relations and simultaneously the physical embodiment of one of the most serious global problems of the present day.

There are no *a priori* objections to the use of the term "developing countries" to define the distinctive features of these countries' present state and future prospects or to define their role in world politics and economics, but this term is more vague and more confining than "Third World." We could probably say that the terms "developing countries" and "Third World" have the same relationship as other particular and general terms and are intended for different levels and goals of analysis.

Therefore, we acknowledge the objective existence of the Third World and the accuracy of the term, we accept the abovementioned views on its origins, and we believe that this entity has an important place and role in world politics, in the future as well as in the present.

### III

The entity now defined as the "Third World," as we can see, was the result of profound revolutionary changes closely related to the national liberation movement and the collapse of the world colonial system. Because our present attitude toward the Third World depends on our assessment of the development of the national liberation movement, it would be advisable to discuss the basic interpretations of this term.

The national liberation movement was traditionally viewed as one element of the world revolutionary process. In line with this theory, the Great October Socialist Revolution provided powerful momentum for the struggle of oppressed people, revealed alternative patterns of social progress, changed the balance of power in world affairs, and suggested new methods of attaining goals. Socialism offered the national liberation movement ideological, political, military, and economic support because it saw the movement as an important current in the struggle of new forces against the old.

This was based on an extremely broad interpretation of the term. The goal of the national liberation movement was assumed to be the achievement of not only political independence, but also something termed "genuine independence," including economic independence. In other words, it meant the eradication of the consequences of the former colonies' and semicolonies' participation in the international capitalist economy and international capitalist division of labor. This process would presuppose economic and social liberation as well as political independence, or, in other words, a move by these countries to the side of socialism.

The rapid capitalist evolution of the developing countries led to the inescapable conclusion that far from all of them could be viewed as active participants in the world revolutionary process. For this reason, some authors proposed updated views of the national liberation movement and the national liberation revolutions. "The

national liberation movement, in our opinion," A.V. Kiva wrote, "continues even when the former colonies and semicolonies achieve political sovereignty. As a matter of fact, it will continue until these countries achieve genuine independence and cease to be objects of exploitation." Therefore, "the instruments of national liberation revolutions today are not all of the political regimes and social movements in the developing world, but only the forces fighting expressly for national and social liberation."<sup>13</sup>

Without disputing this line of reasoning, we would suggest a different interpretation of the goals of the national liberation movement. In our opinion, the main objective is the elimination of the dominion of mother countries and the establishment of political sovereignty, including, as its most important aspect, legal guarantees of the right of complete ownership, management, and control of national natural resources.

In line with this, we can assume that the national liberation movement has exhausted its transforming potential. The era of charge and assault is over. The current objectives of the former colonies and semicolonies presuppose the use of **revolutionary** methods.

#### IV

Our interaction with the Third World was influenced for a long time by the broad interpretation of the goals and objectives of the national liberation movement. In the political sphere, the Soviet Union's attitude toward the developing countries took shape within the context of the confrontational model of world politics: They were expected to become our loyal allies in the anti-imperialist and anti-capitalist struggle. "In the developing countries, just as everywhere else," the report of the CPSU Central Committee to the 25th CPSU Congress said, "we are on the side of forces for progress, democracy, and national independence and regard them as our friends and comrades in struggle."<sup>14</sup>

The changing outlines of world politics and the move from confrontation between the two systems to interaction in an effort to secure the survival of the human race and the preservation of civilization led to a situation in which the national liberation movement and the Third World in general gradually ceased to be an arena of struggle between the two systems.

It must be said that the historical example of socialism provided the national liberation movement with points of reference, determined its specific forms and methods, and influenced some aspects of the organization of society after the achievement of political independence. The negative experience of countries choosing the non-capitalist pattern of development was due to, along with other factors, their adoption of what can now be seen as far from ideal plans and the fact that these flawed plans were carried out in forms reflecting the exaggerated expectations and ambitions of their new leaders.

The nature of our interaction with the developing countries was influenced by the traditional view of the world based on the belief in the intensification of the general crisis of capitalism, and particularly on the assumption that the former colonies and semicolonies would gradually cease to be part of the capitalist reserve and become part of the socialist reserve. The de-ideologizing of intergovernmental relations and the acknowledgement of the freedom to choose patterns of political and socio-economic development decreased the value of ideological support for the national liberation movement. Nevertheless, the socialist orientation, in our opinion, is still significant both as a political reality and as an alternative pattern of future development.

Military cooperation occupied an important place in the interaction of socialist countries with the Third World. It was based on the conviction that the social, political, ethnic, and religious conflicts in the zone of the national liberation movement could be settled by military force. To a considerable extent, this grew out of our treatment of the developing countries as our natural allies in the anti-imperialist and anti-capitalist struggle. The military-strategic interests of the USSR played an important role in the development of this cooperation.

The new political thinking presupposes the renunciation of the use of military force in world politics. As far as the Third World is concerned, this means the refusal to regard the newly liberated countries as one area of confrontation between the two systems and presupposes acknowledgement of the priority of political methods in the resolution of conflicts.

Obviously, we must admit that the expansion and even the mere continuation of military cooperation between developed countries and young states became a serious destabilizing factor on the national, regional, and international levels.

In contrast to the West's economic relations with developing countries, in which only certain aspects were ideologized, all of our economic relations with these countries were completely ideologized. There was the assumption that the experience in socialist economic reform should be taken as the point of departure for the socioeconomic development of the newly liberated states, with an emphasis on the development of an extensive state sector. These economic policy guidelines coincided with the ambitions of ruling circles in many developing countries. All of this diminished the effectiveness of bilateral economic ties.

The undifferentiated mechanism of economic interaction was distinguished by the delegation of the functions of one form of relations to another (for example, the use of preferential prices for developing countries in trade as a channel for economic aid). In several cases this mixture of forms of economic interaction led to the stagnation of productive forces in the recipient countries.

Our strategy of economic interaction with the developing countries always lagged behind processes of differentiation in the Third World and changes in the position of these countries in the world capitalist economy. The USSR's economic commitments to the developing states came into conflict more and more not only with changing conditions in the Third World, but also with our actual capabilities, which made our economic policy in these countries unrealistic.

More effective economic relations with the Third World will presuppose further efforts to de-ideologize this sphere. This will necessitate the structural differentiation of forms and channels of economic interaction, particularly the separation of aid from mutually beneficial economic relations based on commercial considerations. The stratification of the Third World will point up the particular groups of countries where USSR economic strategy should focus on cooperation. Our limited economic capabilities dictate the more consistent definition of regional and sectorial priorities. The achievement of mutual economic effectiveness could serve as the basic point of reference here.

All of this clearly indicates that our interaction with the Third World has exhausted its potential in its present forms and scales, conflicts with the new political thinking in several respects, and unquestionably requires new approaches, forms, mechanisms, etc.

#### V

The profound changes of a global nature in economics and politics naturally affected the Third World and gave rise to new tendencies and processes. A complete understanding of the dynamics and direction of these processes calls for a brief review of the main events in the Third World's establishment and evolution as a factor in world politics. In our opinion, this evolution went through the following stages:

**Late 1940s and early 1950s:** Anticolonialism, the emergence of anti-imperialist tendencies, and the first steps toward establishing a special position for these countries in world politics (the theory of positive neutrality, the 1947 Delhi conference, and the 1955 Bandung conference).

**Late 1950s and early 1960s:** The collapse of the colonial system, anti-imperialism, the official formulation of the thesis that the former colonies and semicolonies occupy a special place in world politics (the Movement for Nonalignment), and the first actual steps toward the materialization of the anticapitalist tendency in the national liberation movement (Egypt, Ghana, Guinea, Burma, and others).

**Second half of the 1960s and early 1970s:** The reinforcement of the anti-imperialism and anti-colonial potential of the Movement for Nonalignment, the radicalization of the developing countries' position on the main issues in world politics (including their active support of the Vietnamese people's struggle against U.S. aggression in Indochina), and the steps taken jointly with the socialist

countries for the reorganization of world economic relations and international relations as a whole (the NIEO—New International Economic Order).

**Second half of the 1970s:** The appearance of new tendencies in the Third World: increased differentiation (the oil crisis of 1973-1974, the slump in the struggle for the NIEO—the Lome process, the departure of several countries from the socialist orientation, the first moves of the "new industrial nations," and the Third World's disagreement with the socialist community on several acute problems—Afghanistan and Cambodia); a new round of scientific and technical progress and new relations between developed countries and the Third World.

**The 1980s:** The reinforcement of tendencies noticed in the second half of the 1970s, the increasing socioeconomic differentiation of the Third World (the establishment of the second and third generations of "new industrial nations"), the further differentiation of the strategy of developed countries in relations with different groups of Third World states; and the growing acknowledgement of underdevelopment as one of the factors determining the distinctive features of this part of the world and one of the most acute global problems).

The tendencies that were characteristic of the Third World during different stages of its establishment and development are largely responsible for its present state. In addition to these internal factors, however, processes in world politics at the turn of the decade also played a part.

As we already said, the tendency to single out the Third World as a socioeconomic and political community was connected with the confrontational model of world politics, dominated by competition between the two systems. The renunciation of the confrontational approach and the move to broader interaction and cooperation between countries for the sake of the survival of human civilization weakened this factor considerably. The rapid differentiation of the developing countries, which became more distinct as they evolved and which was stimulated by internal and external circumstances, contributed to the erosion of the socioeconomic community of the Third World.

Socioeconomic and political differentiation are unavoidably accompanied by the breakdown of the belief in the revolutionary potential of the Third World and the uniquely revolutionary methods of surmounting underdevelopment. The distinctive features of the countries and regions belonging to the Third World engender specific solutions to the problem in each separate case, and this cannot fail to have political consequences and cannot fail to affect the Movement for Nonalignment.

In our opinion, however, any conclusion regarding the disintegration of the Third World would be premature. Along with processes seemingly attesting to the disintegration of the Third World, several countertendencies can also be seen, primarily the intensification of underdevelopment in all of its forms. The scales of underdevelopment as a global problem are so great that it cannot be surmounted

without mobilizing the efforts of all members of the world community, and perhaps even to a greater extent than for the resolution of other global problems.

Even if these tendencies in world politics continue and grow stronger, changes in relationship patterns are still possible. One example is the new meaning of the term "North-South," in which "North" refers to all developed countries, irrespective of their socioeconomic affiliations, and one of the main features of this new model of world politics is the neutralization of the more pernicious effects of underdevelopment on world civilization. Although elements of confrontation (to the point of the use of military force) will continue to exist in this model, the meaning of the term "Third World" will undergo profound changes. It could cease to be an object of confrontation and become an arena of united effort and cooperation for the sake of common human interests.

This pattern of Third World evolution in the context of world politics is still only a possibility, the realization of which will depend on future relations between the two systems. In its present state, the Third World is distinguished by processes reflecting the breakdown of the familiar system of international relations.

In any case, the creation of an international security system will be impossible without consideration for the new parameters of world politics in connection with the evolution of the Third World.

## VI

The **military-political aspects of security** in the Third World are influenced by at least two tendencies. The first is the move from bipolarity to multipolarity. The second is the continuing influence of factors engendering conflict in the Third World, such as the unsolved problems inherited from the colonial era, the new and acute conflicts engendered by independent development, the continued outside attempts to impose alien development patterns on the developing countries, and others. In the sphere of military-political relations, the connection between disarmament and development still seems largely speculative. Priority is still being assigned to the first element of the "national—regional—common human interests" formula. There is virtually no effective mechanism for predicting the evolution of national interests and means of satisfying them under new conditions. No effective negotiating mechanism for the political settlement of volatile issues in the Third World has been developed either.

Under the conditions of the changing outlines of world politics, the terms "deterrence" and "parity" are also acquiring new meanings in these regions: The idea of military-strategic balance is being carried over from the level of relations between the two world systems and their military-political blocs to the level of intergovernmental relations in the Third World. This is creating serious obstacles to the limitation of the arms race and is objectively contributing to the proliferation of weapons of mass destruction.

The extrapolation of existing tendencies suggests that the Third World could continue to be a zone of heightened military danger in the near future.

The guarantee of **international economic security** occupies a prominent place in all existing strategies for surmounting underdevelopment. Because underdevelopment, in our opinion, is not confined to an inadequate level of economic development, the creation of an economic security system will be an important part of surmounting underdevelopment, but not the only part. Furthermore, there is no complete theory of economic security either.

There is no common definition of economic security acceptable to all of the developing countries; even during the period of their strongest unanimity on the need to revise world economic relations, they did not manage to implement the idea of the NIEO, which was then effectively taken over by the West in line with its own interests:

The West has taken an extremely skeptical view of the idea of international economic security and has proposed its own alternative strategies of socioeconomic development in the Third World.

The socialist countries never defined their own interests and possibilities in the Third World, and their international institutions (CEMA, the International Investment Bank, and others) are experiencing the most severe crisis.

The reorganization of world economic relations, in our opinion, could be accomplished successfully on the international institutional level today. The moves in this direction presuppose the democratization of existing international economic institutions and the creation of new ones, efforts to de-ideologize world economic relations, and the renunciation of extra-economic restrictions on their development.

**Ecological security** occupies an exceptional place in the total group of global problems. A high level of economic development and a low level both complicate environmental protection, each in its own way. Underdevelopment plays an active part in destroying habitats because it is a combination of both. Therefore, the ecological dangers of underdevelopment are an important component of the world ecological problem. This problem cannot be solved until the problem of underdevelopment has been solved.

Industrial growth, the increased production and consumption of energy, and the attempts at the agrotechnical transformation of agriculture are mainly being accomplished by transferring the forms and methods developed in a relatively small group of developed

countries to the Third World, with its completely different natural conditions. This inevitably puts too much pressure on nature in the developing countries and destroys it. The present model of technological civilization does not include environmental protection as one of its organic elements, and this presupposes constant societal intervention to compensate for the negative environmental impact. The public in the Third World countries, however, is not fully aware of this need yet, and it certainly does not have the necessary mechanisms for this, not to mention its acute shortage of the necessary material and personnel resources. Therefore, both the perpetuation of underdevelopment (maintained and reproduced by stagnation) and the use of traditional industrial methods to surmount it as quickly as possible are certain to compound the threat to the environment.

The **humanitarian aspect** only began to be viewed as one of the basic components of international security and an important way of surmounting underdevelopment a comparatively short time ago in our country. Efforts in this area have not raised any objections, but the attempts to implement them immediately in the Third World will run into sizable and almost insurmountable obstacles.

In particular, the imperative of the immediate acknowledgement of human rights as an essential element of the humanitarian security program conflicts with the fact that "human rights" is a term with specific historical connotations and must be coordinated with the level of social development and the system of prevailing values.

Besides this, the more or less successful rectification of underdevelopment frequently requires strong and stable political authority in the form of authoritarian regimes or even dictatorships, and this is certain to limit the exercise of many human rights.

The struggle against apartheid, racism, and all forms of ethnic and religious exclusivity is one of the methods of satisfying the humanitarian requirements of the present day and unites the Third World countries on this basis. We must not forget, however, that the evolution of the Third World itself has given rise to many events and processes (Islamic fundamentalism, negritude, ethnic and religious intolerance, and so on and so forth) similar to the ones being combated in this just struggle.

The most important element of humanitarian security has become the acknowledgement of the primacy of common human values over all others. Many Third World countries, however, have not even approached—for objective reasons—the acknowledgement of these values as one of the imperatives of world politics yet. Besides this, what we call common human values took shape within the confines of certain religious beliefs, growing primarily out of the values of Christianity, and especially Buddhism, and are distinguished by many of their features. This causes difficulties in their adoption (and acceptance) by cultures based on a religion other than Christianity or Buddhism.

All of this confirms the fact that the Third World is one of the realities of world politics and one of the main factors in world politics.

The profound changes in the world systems gave rise to new processes in the Third World. In spite of the depth of these processes, however, the factors which made the Third World a single entity have not disappeared yet. The confrontational model of world politics still exists. The problem of underdevelopment has not been solved and has even been compounded.

Nevertheless, the scales and intensity of the new processes are already changing the image of the Third World and its role in world politics. The view of the Third World as the locomotive of revolutionary reforms in the world is disappearing, and so is the idea that revolutionary reforms are the prevailing factor in the development of the former colonies and semicolonies and the most direct way of surmounting underdevelopment. Previously popular models of development are experiencing a crisis. New ones are taking their place.

The emergence of new principles of world politics (the renunciation of confrontation in favor of cooperation, the move to policies denouncing violence in international relations, the efforts to de-ideologize intergovernmental relations, and others) is leading to the collapse of the familiar system of alignment with certain countries or groups of countries in the sphere of economics, politics, and military preparations. There is a new realization of the varied political and socioeconomic aspirations of Third World countries, and this is putting the traditional interpretation of its unity and the unity of its political institutions in question. The old concept of unity is disappearing, but a new one has not taken its place yet.

The declared freedom to choose patterns and forms of development is indisputably progressive, but it could also give rise to some negative tendencies in the Third World. This applies above all to military-strategic matters. The move, for example, from the balance of power (i.e., the situation in which one element of the multilevelled equilibrium in relations between states and systems, such as military strength, begins to play a self-contained role and determines the very nature of these relations) to the balance of interests in the relations between the two socioeconomic systems and their military-political alliances will take a long time. In the Third World this process is compressed in time. To a certain extent, we could say that the balance of power is being superimposed over the balance of interests, and in some cases the former supersedes the latter. This dramatically reduces the predictability of the results of this kind of transition in the Third World. On the regional and subregional levels, the balance of interests is actually being supplanted by the efforts to achieve regional military-strategic parity. The result could be the escalation of the danger of war, a new round of the arms race in the Third World, and the proliferation of weapons of mass destruction.

Existing programs for the restructuring of international relations, including the idea of creating a comprehensive system of international security, do not suggest any positive solutions to the problems of underdevelopment. The situation in the Third World and its prospects demand comprehensive analysis.

#### Footnotes

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4. Quoted in: E. Jouvet, *Op. cit.*, p. 6.

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8. See, for example, "Treti mir," strategiya razvivayushchikhsya ekonomikov ("Third World" Economic Management and Development Strategy), Moscow, 1971; S.A. Kuzmin, "Sistemnyy analiz ekonomiki razvivayushchikhsya stran (problemnyy metodologiya)" [Comprehensive Analysis of Economics of Developing Countries (Methodological Aspects)], Moscow, 1972, and others.

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10. MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No. 10, 1989, p. 65.

11. See S.I. Tyulpanov, "Ucheniye politicheskoy ekonomiki (razvivayushchivsya strany)" [Essays on Political Economy (Developing Countries)], Moscow, 1969. V.S. Tsvagunenko, "Problemy kompleksnogo prognozirovaniya razvivayushchikhsya stran (voprosy metodologii)" [Problems in Comprehensive Forecasts of Developing Countries (Methodological Aspects)], Report Presented at Plenum of Academic Council on Economic Problems of Developing Countries, Moscow, 1971.

12. See M.A. Cheshkov, "Structural and Cultural-Geographical Approaches in Studies of Developing Countries" ("Kulturnye protsessy v razvivayushchikhsya stranakh" [Cultural Processes in Developing Countries], Papers of International Conference of Oriental Studies Institute, USSR Academy of Sciences, Moscow, 1986, no. 1, pt. 1); R. Avakov, "The New Thinking and Problems in the Study of Developing Countries" (MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No. 11, 1987); "An Inquiry into the Cultural Theory of Developing Countries" (NARODNYY AZII I AFRIKI, No. 6, 1989).

13. A.V. Kuznetsov, "Natsional'no-ekonomicheskaya zhurnalistika: Rossia i gvardiya" [National-Liberation Movement: Theory and Practice], Moscow, 1989, p. 14.

14. "Materialy XXV sъezda KPSS" [Materials of the XXVth CPSU Congress], Moscow, 1976, p. 12.

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#### Conversion and Economic Reform

MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No. 11, Nov. 1989 (pp. 1-100, 11-12, 166, 171-174).

[Article by Vladimir Konstantinovich Tsvetkov, Doctor of Economic Sciences, professor, and senior head at Economics Institute, USSR Academy of Sciences]

[Text] In 1989 conversion became one of the most popular elements of the economic reform in our country and was part of the campaign platform of many Soviet members of parliament. This was not just another political campaign, however, but an objective process which had been continuing a head for a long time in the depths of the economy. There were several reasons for the urgent need for cuts in military spending and the conversion of the USSR defense complex.

The social reason was that society could not and would not accept any accepting the priority of defense programs at the detriment of social spending (for example, programs to supply the population with food and other consumer goods, public health programs, and environmental protection programs). Delays in the resolution of these and many other social problems had an adverse effect on the majority of the population, including the "non-official" strata of defense industry personnel, their families, and the members of their families.

The financial-economic reason was the state budget deficit. The country had the largest budget deficit in relation to the GNP of the leading world powers and could no afford huge military expenditures.

There were military-economic reasons. Apparently, we had already reached the point at which the use of extreme methods to maintain the earlier high level of USSR military strength was completely inconsistent with the catastrophic underdevelopment of other economic sectors. In connection with this, the need for new approaches was increasingly obvious.

The principal military reform is intended to secure sufficient defense with lower expenditures through the optimization of the composition and structure of the armed forces and the improvement of the quality of weapons. According to the president of our country, the

military reform will necessitate the drafting and implementation of statewide programs for broad-scale reductions of forces, arms and the military budget and the conversion of the defense industry.<sup>1</sup>

The foreign economic reason was that the raw material sector of the economy is no longer capable of carrying a heavy export burden and serving as the main source of the foreign currency needed for imports of consumer goods and many types of technological equipment. Conversion will provide opportunities for the reduction of imports, and possibly even for the replacement of raw material exports with the products of the processing industry in the future.

The internal political reason was the projected democratization of public affairs, including the renunciation of the authoritarian system as one of its prerequisites. It is precisely in the defense complex, however, that authoritarian methods are the strongest (just as, incidentally, in any other country). Conversion could do much to weaken the "bastion" of extreme authoritarianism.

There was also the rapid contraction of international arms markets, partly as a result of Soviet foreign policy at a time when (according to SIPRI data) the USSR accounts for around a third of all world sales of the main conventional weapons systems, and at a time when weapons account for 17.5 percent of all Soviet exports.

In view of all this, there would seem to be no alternative to cuts in military spending and conversion in our country. They would be an inevitable part of any economic reform. The progress and the socioeconomic results of conversion, however, will depend largely on the success of the reform.

The opposite is also true: an effective conversion program would be one of the factors promoting economic reform by contributing to the growth of public trust in it. By the same token, the failure of conversion would create additional causes of social tension and discredit one of the important reforms and *perestroika* as a whole.

A state program for the conversion of the defense industry up to 1995 has been drafted in the USSR. The purpose of this article is to judge how realistic this program is and how much it can contribute to the resolution of the major social problems in the country and to suggest possible ways of enhancing the effectiveness of conversion.

#### Conversion's Contribution to the Resolution of Major Social Problems

The common ideas about conversion proceed from a belief that its social consequences will have a quick and positive effect on the public standard of living. The avoidance of error and disillusionment necessitates a careful verification of these ideas. To this end, we will assess the scales of the solutions proposed in the program for various social problems.

The area in which conversion is supposed to play a decisive role is the provision of the population with

durable goods. The conversion program envisages a sizable increase in the output of these goods. The increases projected for the first 7 years of conversion (1990-1996), for example, include a 1.4-fold increase in the output of tape recorders, an increase of 1.5-fold or 1.6-fold in the output of refrigerators, television sets, and radios, around 1.5-fold in the output of vacuum cleaners, 2.5-fold for sewing machines, and even a 1.6-fold increase in the output of interseasonal recorders. The domestic complex is already responsible for all or almost all of the output of these household appliances. For this reason, the authors of the program expect conversion to eliminate the "shortage" of most of these items in the next 2 or 3 years.

The restoration of the balance between supply and demand in the market for traditional consumer goods is certain to be noticed by the population. But how will the projected growth of their production affect the life of the average citizen? To answer this question, we calculated the output of different types of household appliances per 1,000 inhabitants (Table 1). Two indicators were calculated for 1995: one taken from the conversion program and one calculated by extrapolating the average annual rate of increase in 1988-1990, or, in other words, the years preceding conversion. We can judge conversion's contribution to the public supply of durable goods by comparing these two figures.

Table 1. Output of Durable Goods (units per 1,000 inhabitants)

Goods	1990					According to conver- sion pro- gram	With extrap- ola- tion
	1970	1980	1985	1990	1995		
Refrigerators	10	40	28	50	80	27	27
TV sets	17	58	14	44	76	77	77
Washing machines	12	44	14	22	36	41	41
Vacuum cleaners	6.2	11.2	10.7	15.5	26.4	21.7	21.7
Sewing machines	1.8	3.0	2.8	2.8	1.8	1.8	1.8

The table shows that the projected increase in output for three of the eight items during the period of conversion (1990-1995) is lower than during the previous period (1988-1990). These are color TV sets, tape recorders, and washing machines. In the USSR, however, only one out of forty-five families has a television, one out of thirty

every has a color TV, off one out of every two rural families, and two out of every three families have a washing machine.

Conversion will increase the per capita output of the other goods. The output of radios per 1,000 inhabitants for example was 32 in 1980 and had dropped to 29 in 1988. The continuation of this rate of decline would have reduced output to 25 radios per 1,000 inhabitants by 1995. The conversion program, however, increases the rate of this indicator to 4%.

The degree to which the projected increase in the per capita output of radios will affect the population can be judged from a comparison with the present supply. In 1988 there were 28% radios for every 1,000 people in the USSR. The rise of the average (per 1,000 people) output indicator to 4% a year would signify a rise of 8 percent in the supply. At the time the average family has one radio. In 1988 there were around 1.70 radios for every 1,000 people in the United States, and the average family had 5.2 radios. If we hope to double the average family's number of radios, it will take around 10 years at the annual rate of increase of 8 percent, and the projected rate of increase in the number of radios, and it will take even longer if we take the loss of existing radios into account.

As for the other household appliances, conversion will raise the annual increase in the public supply of TV sets and sewing machines by 3 percent, with corresponding figures of 2 percent for refrigerators and stoves and 1 percent for vacuum cleaners.

When we assess conversion's possible contribution to the resolution of problems in the public supply of consumer goods as a whole, we must admit that conversion will have a generally positive impact but cannot provide any miracles in the next 5 or 6 years.

It is true that conversion is supposed to produce consumer goods of better quality in addition to raising quantitative production indicators, but it has been impossible to judge the feasibility of this improvement in quality.

In addition to filling the consumer market with durable goods, conversion will play a positive role in solving problems in at least three areas: the food supply, the development of the infrastructure, and public health. The influence of conversion in these social spheres was measured with the aid of industrial indicators reflecting the dynamics of equipment production for these purposes. Data on the projected rates of increase in the output of technological equipment during the conversion period are compared with the same indicators for the preceding period in Table 2.

Table 2

Social problem	Technological indicators for this indicator	Average annual rate of production growth (%)	
		1980-1988	1989-1995
Food supply	Food production	2.0	2.0
	Food processing	2.0	2.0
	Food distribution	2.0	2.0
	Food storage	2.0	2.0
	Food distribution to rural areas	2.0	2.0
	Food processing for rural areas	2.0	2.0
	Food storage for rural areas	2.0	2.0
Infrastructure	Construction of roads	2.0	2.0
	Construction of railways	2.0	2.0
	Construction of pipelines	2.0	2.0
	Construction of power plants	2.0	2.0
	Construction of water supply and sewerage systems	2.0	2.0
	Construction of communications	2.0	2.0
Public health	Medical equipment	2.0	2.0
	Medical instruments	2.0	2.0
	Medical materials	2.0	2.0
	Medical supplies	2.0	2.0
	Medical equipment	2.0	2.0
	Medical instruments	2.0	2.0
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	Medical supplies	2.0	2.0
	Medical equipment	2.0	2.0
	Medical instruments	2.0	2.0
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	Medical supplies	2.0	2.0
	Medical equipment	2.0	2.0
	Medical instruments	2.0	2.0
	Medical materials	2.0	2.

When we judge conversion's possible contribution to the resolution of the country's major social problems, we must analyze the **feasibility of program fulfillment in terms of several natural indicators**. In 1989, for example, defense-related ministries did not complete assignments for many types of equipment for the processing industry of the agroindustrial complex.<sup>3</sup> The main reason was the incompetence of defense enterprise designers in this new and unfamiliar field. Some technological lines, even the copies of foreign models, are unsuitable for use in our production facilities. In other cases, they are so expensive that clients decide not to buy them. In a shortage-ridden economy the feasibility of the conversion program will depend largely on the possibility of securing enough components, metal, and other material resources for civilian production. Some of these resources will be made available by the reduction of military equipment production (by around 20 percent in 1991-1995). The output of civilian products in defense branches, however, is to be increased by 80 percent. Under these conditions, civilian products, which will constitute almost half of the total output of the defense complex in 1990, will represent 60 percent of total output by 1995.

Although civilian products require less metal than military products, the demand for material resources in the defense complex is certain to rise under the conditions of the projected rates and ratios of production. According to available estimates, the demand for rolled ferrous metal products, aluminum, and copper for the rapidly increasing output of civilian products will be from 1.7 to 2 times as high in 1995 as in 1988. This will necessitate either the incorporation of additional capacities for the production of sheet metal, rustproof pipe, and many other materials or the purchase of these materials abroad. Neither option is realistic.

The resource support of conversion will require various types of cooperative production, which will be extremely difficult to organize in the enterprises slated for conversion. The Chelyabinsk Tractor Plant, for example, decided to use facilities made available by conversion for the production of mini-tractors, for which there is virtually unlimited demand in our country. The original plan to produce 1 million in 1990 was not fulfilled, however, because the suppliers of the engine, components, and parts refused to fill the orders.<sup>4</sup>

Summing up this part of the discussion, we must say that the program for the conversion of the defense industry stipulates several positive advances in the production of many durable goods and the technological equipment needed for the development of the food complex and the social infrastructure before 1995. Conversion can only make an extremely modest contribution, however, to the resolution of social problems over the medium range.

with the exception of the supply of some traditional consumer goods, because it cannot close or even minimize the gap between us and the developed countries in the necessary areas. Furthermore, even these modest plans might remain unfulfilled because of the shortage of resources to secure the projected growth of civilian production at defense enterprises.

#### **Self-Funding Potential of Conversion Program**

In the presence of so many decrees and programs unsupported by material and financial resources, the feasibility of each new program depends on its self-funding potential—i.e., on its own sources of financing. This is why a necessary (but insufficient) condition for the fulfillment of the conversion program is the reduction of military spending in amounts covering not only the decrease in state budget income resulting from the reduction of military production, but also the increase in budget expenditures (including capital investments in the growth of civilian production and expenditures on the prevention of environmental pollution during the process of the destruction of military equipment). In other words, this will require the genuine and substantial rechanneling of resources from the defense sector to the civilian sector of the economy.

If self-funding is not secured, the program will depend on allocations of additional funds to defense branches including funds generated by the partial cancellation of capital investments in other sectors of the national economy. At a time when the total volume of capital investments in production is displaying absolute reduction while the demand for investment is rising in virtually all branches, the possibility of a further increase in investments in the defense complex, even for a large output of civilian products, seems unrealistic.

Of course, the condition of the self-funding of the conversion program does not have to be met by each enterprise. On the contrary, as experience has shown, the state should assume much, or even most, of the responsibility for expenditures on the social protection of the individual during the conversion process, on the protection of the environment from the harmful effects of conversion, and on research projects in civilian production. Given the present state of government finances however, these total expenditures cannot exceed the decrease in military spending.

An assessment of the financial capabilities of conversion presupposes the calculation of cuts in military spending. The USSR has announced its intention to reduce proportional defense expenditures in national income by a factor of 1.5-2 by 1995. Possible dynamics in line with this are illustrated in Table 3.

Table 3

Indicators	1989	1990	1995*
Defense Ministry budget's share of national income (%)	12.0**	11.8	6.8
Expenditures on defense			
Total (billions of rubles)	77.3***	70.9	45.4-60.6
Arms and equipment purchases	32.6	31.0	—
R & D	15.3	13.1	—
Army and Navy maintenance	20.2	19.3	—
Military organizational development	4.6	3.7	—
Servicemen's pensions	2.3	2.5	—
Other	2.3	1.3	—

\*The conversion program calls for the reduction of proportional military expenditures by "more than a factor of 1.5" by 1995—verging on the maximum projected reduction. \*\*As M. S. Gorbachev said, total expenditures on defense absorb around 18 percent of national income.

\*\*\*According to some foreign estimates, the amount spent on defense in the USSR is between 115 billion and 125 billion rubles.

These data attest to a projected reduction of 6.4 billion rubles in the absolute amount of military expenditures, or 8.3 percent, in 1990. The actual reduction is more modest if we proceed from the higher absolute figure of expenditures on defense and take the rate of inflation into account. It is clear, however, that a reduction of 6.4 billion rubles in defense spending cannot be called sizable in view of the anticipated state budget deficit of 60 billion rubles in 1990.

If the proportion accounted for by defense expenditures in national income is reduced by a factor of 1.5 or 2, given the projected rate of increase in national income (3 percent), the absolute reduction in 1995 in comparison with 1990 should be somewhere between 10 billion and 25 billion rubles. If the population of the country increases at a rate of 1 percent a year, the per capita reduction in defense spending will be 7-17 rubles a year on the average. Given the present per capita gross income (1,836 rubles a year), the reduction of defense spending, even if the whole savings is used for personal consumption, can only increase the annual income of the Soviet people by 0.4-0.9 percent.

If conversion is assessed from the standpoint of the achievement of a financial balance in the consumer market, its contribution to the absorption of the 160 billion rubles for which there is no supply of goods will not exceed 7-8 percent of the total.

All of this suggests that even extremely sizable reductions in defense spending cannot be the decisive factor in reducing the state budget deficit, enhancing public welfare, and achieving a balance between goods and money

in the consumer market. Under these conditions, the financial recovery of the country will necessitate a combination of other measures, such as the reform of prices, pricing practices, taxes, and monetary circulation, the creation of a securities market, and other such actions.

Conversion will mean the reduction of military expenditures accompanied by an increase in civilian expenditures. Above all, conversion will necessitate additional capital investments in civilian production. In 1990 the respecialization of defense capacities for the production of civilian goods will require investments of at least 4-4.5 billion rubles. This amount is much smaller than the projected cuts in military spending for this year (6.4 billion). If the maximum cuts in defense spending are made in 1991-1995, the funds made available will be almost twice as great as the necessary capital investments in civilian production at defense enterprises. If minimum cuts are made, however, they will secure only 80 percent of the necessary investment. In this case, the conversion program will not satisfy the self-funding condition.

When a conversion program is drawn up and its self-funding potential is analyzed, additional investments in the individual and his social protection must be taken into account. We will proceed from the assumption that conversion will not require immediate expenditures on the creation of new jobs (these expenditures probably will be necessary later). In any case, however, additional funds will be needed for the education and retraining of the freed personnel, as well as funds to cover their support during the adaptation period. For this reason, part of the savings in defense expenditures should be used to cover these social needs.

The conversion program, however, includes only a small portion of these social expenditures. Judging by the projected cuts in capital investments in 1991-1995, it presupposes an increase of 67 percent in the capital investments of just the Defense Ministry in the socio-cultural sphere of personnel maintenance. Although this is an impressive figure, it is only the first step in surmounting the inadequacy of the social guarantees of servicemen, which could make conversion more popular in this community.

The scales of the necessary social expenditures can be judged from the experience of the American Department of Veterans Affairs, with an annual budget of over 28 billion dollars.<sup>1</sup> Around 95 percent of the total is used for pensions, real estate loans, life insurance, medical care, and so forth, including the maintenance of 112 national cemeteries and the provision of gravestones. Expenditures per person, including family members, vary widely depending on legal statutes, but the average is around \$4,000 a year.

If we proceed from our earlier estimates, we can assume that conversion will affect at least 4 million people—servicemen, defense industry personnel, and the members of their families. Of course, not all of them will need

financial support, but we can assume that one out of every four will. On the basis of the earlier data on our per capita income (R1,836 a year and around R2,500 in the families of career military personnel), it will take 2.5 billion rubles to maintain this income level for 1 million people in the first year of conversion, and expenditures per person should amount to around R2,500.

Of course, this calculation was made only for the sake of illustration, but it does suggest that the additional social expenditures, combined with investments to increase the output of civilian products (4-4.5 billion rubles), are virtually equal to the proposed cuts in defense spending in 1990 (6.4 billion rubles).

Furthermore, these are not the only conversion-related expenses. Part of the sum made available by cuts in the defense budget should be invested in the remodeling and utilization of military equipment. The technology for this already exists or is being perfected. The authors of the conversion program correctly assumed that it will allow several branches and production units to make the move to a new raw material base. It will, for instance, augment the use of secondary raw materials considerably in metallurgy, the production of diamond instruments with substandard gunpowder, etc.

The conversion program does not, however, include the cost of remodeling and utilizing military equipment. Furthermore, the liquidation and demolition of buildings and installations used expressly for military purposes will also require large additional expenditures. Foreign experience indicates that the cost of weapons demolition can exceed the income from the utilization of recycled resources. Hungarian experts have calculated that the dismantling of a single tank costs from \$4,000 to \$12,000.<sup>7</sup> This means that the projected elimination of tanks in the USSR will cost from 120 million to 360 million dollars (i.e., a large sum of money by any ruble exchange standards).

It is still difficult to estimate the necessary investment in mini-plants for the processing of chemical weapons and the derivation of their useful substances directly on the storage site.

The defense sector is one of the most ecologically dangerous branches. The adverse effects of the production, the testing, and even the storage of nuclear or chemical weapons on the environment and the human being offer sufficient proof of this. For this reason, conversion will require large expenditures to compensate for environmental deterioration. American experts have proved, for example, that enterprises producing nuclear weapons in the United States have been operating for decades with no regard for the health and safety of personnel and the population of the surrounding territory. In connection with this, they have suggested the closure and conversion of several reactors, plants producing nuclear weapon components, and research centers.

The conversion of facilities working with radioactive materials will require lengthy and costly decontamination and clean-up operations. According to the estimates of U.S. Department of Energy, for example, cleaning up the grounds of the 16 main enterprises producing nuclear weapons with a view to lowering pollution levels to the maximum stipulated in environmental laws will cost from 66 billion to 100 billion dollars in the next 50 years.<sup>7</sup>

Additional funds will also be required in cases seemingly involving only the simple rechanneling of resources from the defense sector to the civilian sector of the economy. These will include the rising costs of civilian production, for example, when the high-grade and extremely expensive metals of electroslag and electrovacuum smelting, compounds, and other materials for specialized purposes are transferred here from the aerospace branches. Even the intersectorial redistribution of petroleum products will probably require investments in a system for the shipment and storage of oil, and possibly for its refining, for the purpose of changing the assortment of products derived from it.

The possible losses of state budget revenues due to cuts in military equipment production accompanied by civilian production growth warrant special discussion.

The conversion program now envisages cuts in budget revenues from the defense sector. We can assume, however, that this will not have an appreciable effect on budget income. The production of civilian goods in the defense sector is expected to grow much more quickly than the output of military equipment will decrease. Each percentage point of increase in the output of group "B" in the total production volume of industry, however, produces three times as much revenue in the form of deductions from profits and turnover tax than in group "A."<sup>8</sup> Furthermore, it is possible that the conversion of some defense enterprises will require state subsidies to compensate for losses of profit. The cost of one work-hour in military production is from two to six times as high as in civilian production.

Besides this, the conversion program envisages the continued payment of the average wage to defense enterprise personnel during their retraining. In spite of the reduction in profits, enterprise social development funds are also to be maintained at their earlier level. These measures will be financed by raising the rate of enterprise fund deposits, and this will reduce budget revenues from profit deductions and limit the funding potential for the conversion program accordingly.

The analysis of the financial aspects of the program showed that it does not take all of the necessary additional expenditures on social support, ecology, and the elimination and remodeling of military equipment into account. Under these conditions, its self-funding potential is far from apparent. Furthermore, the self-funding condition cannot be met if a decision is made to keep cuts in proportional military expenditures in national income at a minimum.

In our opinion, the conversion program needs more work. It probably should envisage larger cuts in defense

spending (as long as the conditions of reasonable sufficiency are met) or cuts in the additional expenditures on civilian production.

Reducing the costs of conversion might require the more radical (and quicker) curtailment of the production and testing of military equipment and the reduction of the proportional workload of defense capacities without their respecialization or liquidation. This form of conversion could be called passive or "latent" conversion. The reduction of costs would entail a persistent search for the most efficient combination of the active form of conversion, in which existing defense capacities begin producing new civilian goods, and a diversification of defense production by expanding production cooperation by defense enterprises with existing civilian enterprises. In any case, cuts in the funds for the social measures in the program would be inadvisable even if they were possible. The best means of securing the program's self-funding potential is more efficient conversion.

#### **Ways of Enhancing the Effectiveness of Conversion**

The factors determining the effectiveness of conversion primarily include the optimization of the reproductive and technological structures of investments in civilian production, the efficient use of the valuable intellectual and innovative potential concentrated in the R & D sphere of defense branches, the creation of a system for the management of conversion in such a way as to give defense enterprises maximum incentive to produce high-quality civilian goods.

Analysis indicates that the effectiveness of capital investments in the development of civilian production in the defense sector could be extremely high. Whereas the actual product increment per ruble of capital investments in 1981-1988 was 45 kopecks in industry as a whole and 81 kopecks in the machine-building complex (not counting the increment in unfinished construction projects), the anticipated indicator for the defense complex in 1991-1995 will be from R1.52 to R1.56. This means that the return on investments in civilian production in the defense sector could be around three times as high as in industry as a whole and twice as high as in machine building.

We can guess some of the reasons for this high rate of return. One consists in the exceptionally high prices of the civilian products of defense enterprises. In fact, the program envisages a 1.5-fold or 1.6-fold increase in the output of many traditional consumer goods in natural terms in the next 5 years and a 1.8-fold increase in cost terms. Unless the rise of the price indicator is accompanied by a commensurate rise in quality, this would be a case of an unjustified price increase creating the impression of a high return on investments.

Another possible reason for the high return is the use of fixed assets in civilian production that would still be "numbered" among the assets of defense branches. According to some estimates, the projected conversion

of 20 percent of the production capacities in the defense complex for civilian production could add fixed assets worth 17 billion rubles to the civilian production sphere.\* According to later data, conversion will transfer fixed capital representing 3-4 percent of the total fixed assets in industry (approximately 26-35 billion rubles) to the production of consumer goods. In this case, the amount of transferred fixed capital is close to the amount of state capital investments envisaged in the conversion program for the next 5 years to increase the output of civilian goods in defense branches.

If the anticipated effectiveness of capital investments is actually due to the use of existing fixed assets in civilian production, this should be corroborated in the reproductive structure of capital investments (in a higher percentage of investment in the remodeling and retaining of production units). An analysis indicates, however, that four-fifths of all investments in 1991-1995 will be used to establish new capacities—i.e., in essence, for new construction projects—while only one-fifth will be used for the respecialization of existing capacities.

Capital investments in the respecialization of existing capacities generally require less construction and installation work and higher expenditures on equipment than investments in new construction and therefore secure a higher rate of product growth. Construction and installation work will account for only 23 percent of the capital investments in the respecialization of defense capacities in 1991-1995, while new construction in this complex will account for 35 percent. Incidentally, construction work accounts for 32 percent of all capital investments in the defense complex in general, which is perceptibly lower than the figure for the national economy as a whole (38 percent).

It is probable that the converted fixed assets will consist mainly not of equipment, as is usually the case in the remodeling of existing production units, but of buildings, installations, and other passive assets.

It is possible, however, that the low percentage of construction and installation work is simply a result of the use of the cheap (almost free) labor of military construction personnel in the defense-related ministries.

It is also possible that we are trying to find an explanation for another mirage. The actual return on capital investments might be much lower than the one stipulated in the program, if only because the investment requirements of all projects are usually understated in the beginning, during the "requisition" stage.

The expectation of an exceptionally high return on conversion-related investments is a fairly common phenomenon, and not only in our country. Evidence of this can be found in France's experience in converting five military shipyards in the 1960s after the end of the Algerian war. Only one was respecialized within the funding guidelines. In the other cases, the state had to make investments far in excess of the estimated amounts because the difficulties of conversion had not

been taken into account in their activity. In particular, it took more time and money to build the infrastructure for the sale of civilian products, which differs in many respects from the infrastructure needed for work on military contracts.

When the program for the conversion of the shipyards was nearing completion, it turned out that labor productivity had declined substantially, in spite of intensive retraining, after the personnel had been transferred to civilian production. The work roster at the respecialized enterprises was quite different from the existing roster in ordinary shipyards. It was also learned that production costs would have been much lower if the funds had been invested in the enlargement of existing civilian shipyards instead. The state had to subsidize the respecialized enterprises for a long time.<sup>11</sup>

Because the defense sector's impressive scientific potential is its main resource and advantage, the success of conversion will depend largely on its use, preservation, and augmentation. From this standpoint, it appears that the cuts in military spending should affect arms production and army maintenance before extending to the R & D sphere. American experts, for example, made no changes in proportional expenditures on R & D in the defense budget (13 percent) when they were considering different options for sizable cuts in defense spending in 1991-1994.<sup>12</sup>

The situation is different in the USSR, where, as the data in Table 3 testify, R & D expenditures are decreasing more quickly than other military budget items. As a result, proportional R & D expenditures in military spending are decreasing while proportional expenditures on arms purchases and personnel maintenance are rising (%)

Expenditures	1988	1990
R & D	19.8	18.5
Arms purchases	41.1	41.7
Armed forces per personnel maintenance	76.1	77.2

Anticipated expenditures on R & D in 1991 will be 14 percent below the 1988 figure.

Space research warrants special analysis. According to published data, expenditures on space research in the USSR amount to 6.9 billion rubles a year, including 3.9 billion (or 56 percent) for military projects. The cumulative national economic impact of space programs already exceeds 12 billion rubles. Expenditures on space research should be completely scrapped by 1995. These data require careful verification, of course, but even if the impact of space research expenditures is actually less impressive, the reduction of these expenditures will call for an extremely prudent approach. The destruction of the existing potential for innovation in this field for the sake of only a small savings in funds could have an

extremely harmful effect on scientific and technical progress and the prestige of our country.

The conversion program is more likely to envisage a rise in civilian R & D in defense branches than the reduction of military development projects. In 1991 the increase in civilian R & D in this complex should amount to 31 percent, and by 1995 the figure will be 20 percent higher than in 1991. Furthermore, three-fourths of the expenditures on civilian R & D are to be financed with state budget funds. Under these conditions, the total intellectual and innovative potential of the defense complex should grow during the process of conversion. There might be unexpected difficulties, however, when R & D projects move to fundamentally new branches, in which case the devaluation of some of the accumulated knowledge is inevitable.

The program includes the development of new types of dual-purpose materials, technologies, and equipment. According to its authors, this should reduce the amount of time spent on R & D projects to one-third or one-fifth of the earlier amount and also speed up the incorporation of the latest achievements in the national economy. The experience of other countries has shown, however, that the possibility of using R & D results simultaneously in civilian and defense spheres is not that great and is constantly decreasing.

There is no question that the high quality and competitiveness of machine-building products in general and durable consumer goods in particular can be secured only in an atmosphere of strong competition. Authoritarian methods will not produce these results. In our country, however, the mechanism of market competition does not exist yet. We do not have a domestic market free of shortages and monopolies; we do not have a balance between supply and demand, and we do not have winners and losers.

In the near future, until the new market mechanism has been established, conversion in the USSR will be managed with the aid of a strictly centralized program. The procedures used in compiling this program are virtually identical to the procedures USSR Gosplan instituted before perestroika for the compilation of state plans for national economic and social development. In line with these procedures, Gosplan sets control figures for the defense-related ministries. The control figures are based on Ministry of Defense bids for development projects and equipment purchases and on the export bids of foreign economic organizations. The plan includes assignments for the production of military and civilian items with a special section devoted to durable consumer goods, and also sets limits on capital investment and the most important types of material resources, as well as stipulating R & D volumes in military and civilian fields.

On the basis of USSR Gosplan's control figures, the ministries of the defense industry decide which enterprises and research and design institutes should be slated

for conversion and issue them assignments for the production of civilian and military goods. Deliveries of components are assigned at the same time. Enterprises and institutes then draw up detailed conversion plans for 1991-1995 on the basis of these assignments.

According to chief designer and Corresponding Member of the USSR Academy of Sciences R. Protasov, party organs are interfering with the management of conversion by "arbitrarily imposing assignments on organizations for the production of items completely outside their specialty to the accompaniment of discussions of conversion."<sup>11</sup>

When we look back at the experience in the use of these plan compilation procedures in the past, we can say that the conversion program is a voluminous, precise, and detailed document, but the fact that it was "destined for nonfulfillment" was already obvious during the approval stage and, unfortunately, was confirmed by the first steps in its implementation. Although the program includes a section on the mechanism of economic management, there are actually no incentives for enterprises to complete these assignments in terms of quantitative and qualitative parameters.

Under the conditions of the authoritarian management of conversion (at least during the initial stage) within the defense complex, the processes of the concentration and monopolization of production are continuing. The tendencies common to production relations in a shortage-ridden economy are motivating the defense enterprises increasing their output of civilian goods to seek ways of covering their own resource needs, reducing the number of unreliable outside suppliers, and extending their operational ties to related branches and production units. As a result, the boundaries of the defense complex as a sector of the economy are even expanding. Ministries are actively supporting this process of production concentration because it is easier to manage a few large enterprises than a multitude of small and medium-sized ones.

As a result, the defense complex has become more important and influential in industry and in the national economy, and this is strengthening the position of the authoritarian system as a whole. Needless to say, this will promote economic reform in the slightest.

This is why a change in the conversion management mechanism that took shape during the first phase in the implementation of the program is just as necessary as in other spheres of the national economy. The main prerequisite for success is the creation of a shortage-free, de-monopolized consumer goods market, with defense branches specialized for the production of these goods. If our advice on the revision of the conversion program is followed, the creation of this market should be viewed as an immediate objective. There should also be changes in the organizational structures of management and the development of a variety of forms of ownership in the defense industry. Some plants will have to be subdivided, and the production of the elements

of industrial electronics and other components should be assigned to autonomous enterprises, including small and medium-sized ones.

What kind of mechanism should we have for the management of conversion during the transition to the regulated market?

We believe that only decisions on the size of cuts in the military budget as a whole and in individual budget items and on government support for the conversion program should be made on the macrolevel. Under these conditions, the main section of the program will be the financial plan, stipulating the defense sector's interaction with the state budget in approximately the same areas we discussed in the section on self-funding.

Decisions pertaining to civilian R & D and the assortment and quality of civilian products will be made on the microlevel and will become the prerogative of the defense enterprise itself, with a view to its operations in the market. The enterprise will have the most complete information about ongoing R & D projects, equipment and personnel reserves, and other data needed for production-related decisionmaking. Superior agencies should warn enterprises of cuts in military orders in advance. By the same token, enterprises should begin working on their own conversion programs without waiting for these warnings. A preliminary demobilization plan is all the more necessary in view of the fact that conversion, as foreign experience has shown, can take around 2 years under normal conditions at enterprises.

The conversion programs of defense enterprises should probably be varied and differ in terms of scales and intensity. They could vary, for example, depending on the size of cuts in military orders at the enterprise, on the availability of funds or the possibility of securing loans, and on regional budget allocations for the social support of conversion.

Under the conditions of increasing market influence, the state conversion program will not include precise and fixed indicators for civilian products. The volume and quality parameters of the program will react flexibly to changes in demand in the domestic and foreign market.

The conversion program must be dynamic and must be geared not only to the attainment of short- and medium-range social objectives, but also to the achievement of the main strategic goals—the development of high-technology production and technical support for the intensive renovation of many branches. Because this kind of global objective cannot be based on current market requirements, it will require state support. In connection with this, a special section of the conversion program should deal with R & D projects in high-technology fields, the creation of the necessary conditions to secure the competitiveness of high-technology products in the foreign and domestic market, and the general prospects for computerization in our country.

In addition, the state conversion program should envisage the protection of the human being and the environment and maximum compensation for the social cost of demilitarizing the economy.

The defense branches occupy a prominent place in our industry. This is where our best productive assets, highest level of labor organization and technology, and most qualified personnel are concentrated, especially in the R & D sphere. It would be no exaggeration to say that the defense complex is the top of our economic pyramid. Its gradual but consistent realignment to meet civilian needs is an important prerequisite for the restructuring of the Soviet economy and the enhancement of its effectiveness.

Unfortunately, the present conversion program, as we have tried to show, is inconsistent with the possibility and need for radical economic reform in the USSR.

When Nobel prizewinner P. Samuelson spoke with scholars from the Economics Institute of the USSR Academy of Sciences, he told them about his work on a U.S. commission set up in 1941 to make advance preparations for the reconversion of industry for civilian production after the war. Many of the commission's conclusions in 1946 were not corroborated. The commission predicted, for example, that cuts in military production would result in an unavoidable protracted postwar recession and a sharp rise in unemployment. Instead of this, the growth of investments, consumption, and employment were secured over the long range. Mistakes of this kind, Samuelson said, only attest to the value of advance forecasts of conversion.

The conversion in the USSR, which will be carried out at a time of reform, is the beginning of a difficult journey with almost unavoidable seats of social tension. Although errors are probably inescapable, we must steadily move ahead, constantly using accumulated experience as a guide for the adjustment of our program of concrete action.

#### Footnotes

1. According to American experts, the military strength of the USSR forced the West to consider its interests to some extent. By the 1970s, however, the strength of the military complex began to undermine the country's position in some cases. The tendency to overarm had the opposite result and lowered the level of national security (R. Grenier and E. Stubbs, "A Farewell to Arms," Washington, 1989).

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12. W. W. Kaufmann, "Glasnost, Perestroika and U.S. Defense Spending," Washington, 1990, Table 19.

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#### South African and USSR Economies—Unexpected Parallels

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[Text] Comparing the South African and USSR economies might seem strange. Why choose, out of the long list of countries in the world, two with such radically different appearances, one of which the people in our country were just recently referring to as nothing other than a "racist regime" while the other was being described as a "society of developed socialism"? Analogies between them, especially in the economic sphere, might seem pointless, but it is precisely in this sphere that many amazing similarities can be found, both in the content and in the results of economic processes. In a certain sense, the USSR and South Africa could be called typically unique.

We should begin by taking a look at several of the common features listed in the pioneer article by B. R. Asovyan and related mainly to the political history of the two states. "Stalinism," he wrote, "is a totalitarian form of apartheid taken to the extreme, almost to the point of absurdity. South Africa is not at all unique in today's world. This would be too simple. Many people, however, prefer to believe this."

To keep this statement from being viewed as one of the exaggerations that are so trendy in our emancipated press, I should remind the reader that the word "apartheid" means "separate development" in Afrikaans. The ideologists of this theory maintained that the ethnic separation of the many racial and ethnic communities in South Africa would preserve their uniqueness and guarantee their freedom of

self-determination. In its traditional form, apartheid was not only a policy of racial discrimination and overt government terror. To an equal degree, it was a centralized bureaucratic model of economic regulation.

Some of the extremely important reasons for the appearance of two varieties of authoritarian systems with so many similarities were programmed, so to speak, in the genetic code of both countries. Violence was the veritable midwife of Russia and South Africa. Here is an interesting fact in support of this. In a letter to Mohandas Gandhi, who had founded the Indian Congress in Natal Province, Lev Tolstoy referred to the "increased number of non-resisters"<sup>2</sup> in Russia and the Transvaal as a reaction to the "tragic breakdown of primary human relations".

In general, extra-economic coercion turned into something just short of a national tradition in the Russian and South African societies. The Russian peasant prior to emancipation and the African of the time of the first Boer republics and the classic form of apartheid had no right to conduct economic transactions autonomously, and this was tantamount to a ban on entrepreneurial activity. The large fortunes of the "capitalist peasants" and "bantu businessmen" were amassed in defiance of the law in the depths of the "shadow economy" and were therefore not protected by law.

The migration by peasants to nearby towns for seasonal work, characteristic of the Russian countryside in the nonchernozem zone, is practiced to this day by the inhabitants of bantustans who commute to "white neighborhoods" to earn a living. The level of economic development in one of these areas of the South Africa economy can be 20 or 25 times as high as the level of the other. There was an almost equivalent gap between the central regions and outlying districts of the tsarist empire. This is why the program of the South Africa Communist Party (SACP) uses Lenin's term "internal colonies" to refer to the 13 percent of the country's territory officially assigned to the black majority. These features of the classic image of the "special type of colonialism" look like a reproduction of the picture of pre-revolutionary Russia, a "reincarnation" of the distant past of Russia in the recent past of the South African society.

A second historical layer of extremely similar features in the economic structures of the two countries is the "genetic code" transmitted to the Stalinist and racist regimes. The fetishistic respect for government property which reached its peak in the era of "developed socialism" has strong traditions in our country. In 1914, around 32 percent of Russia's national wealth belonged to the central government and the district councils.<sup>3</sup> Furthermore, this does not even include the property of the tsar's family, much of which was managed by the state and was then nationalized after the revolution, at which time it represented, along with large private enterprises, the basis of the state sector controlled by the Supreme Council of the National Economy. Stalin's economy was 100-percent state controlled, although the

cooperative-kolkhoz form of ownership (10 percent of all property) did exist in the formal sense.

The similarities noted by N. A. Berdyayev in the pre- and post-revolutionary economies of Russia at the end of the 1920's (the same interruptions in organic development, the denial of traditions, statism, the same inflated government, the centralism, and the same privileged bureaucratic stratum)<sup>4</sup> began their somewhat "belated" flourishing in South Africa (the country was officially called the Union of South Africa until 1961) when the Nationalist Party took over in 1948. Its continuous presence in this position for a long time without any real opposition was the rarest of phenomena in the capitalist world. It quickly built up what one researcher called an "elephantine" state sector, which absorbed 38 percent of the capital invested in the national economy in 1986 but was responsible for only 4 percent of total capital accumulations.<sup>5</sup> This level of government intervention was three times as high as the average for the OECD countries.

This gave South African economist Ralph Horwitz reason to use "The Political Economy of South Africa" as the title of one of his basic works,<sup>6</sup> giving this term a somewhat unconventional interpretation. It could mean the "nationalized economy" because the adjective was taken from the word "polity" used in English juridical literature to denote the state as a subject of law.

The complete statization of the economic life of the African population is comparable only to the Stalinist system of barracks socialism, in which certain powerful agencies decided the economic (and not only the economic) fate of the laboring public. The development of totalitarianism follows the same pattern everywhere. First of all, it presupposes the subordination of the individual to the state and its agencies. Skin color or nationality can be a convenient excuse for calling opponents of the regime "enemies of the people" or, as in the case of the inhabitants of the bantustans, "foreigners" in their own land. People could argue about the degree of similarity between the two systems, about who borrowed various forms and methods from whom, and about the differences between them, but one thing is clear. In spite of the differences between their officially declared political goals, several of the characteristics of these two seemingly unique regimes were amazingly similar.

In both countries the main target of "reforms" was the rural population which was supposed to furnish the necessary supply of manpower. This made it necessary, on the one hand, to keep the majority of the population in agrarian regions and, on the other, to guarantee the constant availability of part of the rural labor force for the cities which were growing as a result of industrialization. Urbanization reached its peak in the 1960s in the USSR and in the 1970s in South Africa.

Historical traditions played different roles in the two countries, but the ultimate consequences were the same. In the USSR "Stalin's policy led to the creation of kolkhozes—i.e., the reproduction of communal land use, devoid of all features of private farming—and led to an unprecedented increase in the proportional size of the transferred product."<sup>12</sup> In South Africa the reservations, "viewed as internal colonies were expected to export the free labor of Africans... there were legal restrictions on the ownership of land, and this undermined one of the most important bases of the traditional sector—the possibility of the extensive development of new lands."

The strategic goal of imposing equality, but actually universal poverty, on the rural population was attained in different ways. The Soviet kolkhoz farmer worked in a public field and thereby won the right to work his own private plot, where the amount of tillage and the number of livestock were strictly limited. During the period of classic apartheid, the inhabitants of the reservations were ordered to redistribute the land "according to the number of mouths to be fed" on the pretext of the need to uphold equality in the community.

Because the original function of kolkhozes and sovkhozes consisted in supplying the urban population with food and supplying industry with raw materials, the tradition of free migration was restricted in every way possible. According to Yu. A. Polyakov, "the refusal to issue travel permits to the multimillion-strong peasantry until the late 1950s and early 1960s... was another way of attaching the peasants to the land, just as they been kept there during the feudal era."<sup>13</sup> In our opinion, this point of view does not acknowledge the new features of the situation, which was not an exact reproduction of earlier practices. Before serfdom was abolished, the landowner issued "safe conducts" allowing his peasants to work in an outside trade, so that he could collect a quotient from them. After the reform, there were no legal prohibitions whatsoever. In the completely collectivized Soviet rural community, on the other hand, only government agencies could recruit manpower on a broad scale, and this manpower almost never returned to the community. For the kolkhozes and sovkhozes, these were irretrievable losses.

The tribal authorities on the reservations controlled migration under the supervision and direction of the central government. The physical regulation of the urban labor market remained a government privilege. It was precisely in the use of labor resources that the Stalinist regime was closest to apartheid. Both systems were based on the government's exclusive right to determine housing conditions and regulate employment, which provided governmental bodies that were amazingly similar even in their external appearance. On the whole, these were systems attaching (with varying degrees of firmness) labor to the state.

The free labor of peasant producers was at the very top of the pyramid of the extra-economic regulation of employment. The USSR GULAG (Main Administration of

Corrective Labor Camps) and the Special Administration of Prisons in South Africa, which distributed violators of the laws of apartheid among the holdings of white farmers, were textbook examples of this practice. The powers of the repressive machinery of state were unlimited here. A second form of regulation, common in both countries was the recruitment system in which people signed on for jobs, attracted by the relatively high (by average national standards) pay, and promised to work for a specific period of time, giving up their right to change jobs. This restriction of the freedom to choose a place of employment was characteristic of the so-called shock work projects in the USSR and the compounds (labor camps of African miners) in the South African gold mining industry. Furthermore, in the last case the government granted a private company (the WNA [Witwatersrand Native Labour Association]) the exclusive right to regulate "native labor." This company was the only employer of manpower, or a monopsonist.

The most widespread practice in our country was the "organized recruitment" method, which was used mainly for the recruitment of rural youths and became the chief source of unskilled manpower. In South Africa there was an agency recruiting Africans for work in "white" cities. The recruits in both countries were unskilled laborers.

The huge proportional dimensions of the groups earning low wages and the small size of the highest paid constituency were typical signs of a common heritage. In 1956, 20.3 percent of the workers in the USSR earned less than 50 rubles, and 13.1 percent earned from 50 to 100 rubles.<sup>14</sup> In 1980 98.5 percent of all African laborers in South Africa had an income below the minimum (4 100 rands or 1 920 dollars a year), and 1 percent had an income of 4 000-6 000 rands.<sup>15</sup>

Since that time the situation in the USSR has changed dramatically, and the percentage of workers whose wages are close to the average has risen. In South Africa, on the other hand, even though the minimum wage has risen, the latest data indicate only a negligible rise in the number of black South African workers (earners) as average-wage.

In our country, the equal poverty resulting from the excessively centralized regulation of wages is being eliminated slowly and with great difficulty. In South Africa the elimination of the more odious government controls due to the erosion of apartheid will not automatically correct the situation either. The obvious conclusion is that excessive nationalization has yielded nothing, and it takes a long time to eliminate the economic ditches just as in the case of natural disasters and technological accidents.

From extreme statization, however, does not proceed the stratification of society along property lines. We know that government salaries in the USSR (1985) were (Mikhail's generous) sufficient proof of this, but it is found in the official data for India according to which the

average worker in an agricultural enterprise earned 23 rubles while the employee of an administrative agency earned 39 rubles, or almost twice as much.<sup>10</sup> The salaries of top-level government officials were 20 to 25 times as high as the minimum wage. The income of the African elite, representing around one thousandth of a percent of the black working population, exceeded the earnings of the poorest strata by the same amount in 1980.

To be fair, we have to admit that the distribution of the income of the white population of South Africa in 1980 was also marked by more pronounced contrasts than in the other developed capitalist countries. In spite of the common perception of the white inhabitants of South Africa as a single race of masters, they were also the victims of the apartheid policy to some extent, especially the Afrikaners. It was precisely this policy, after all, that gave birth to the government's excessive need for lower- and middle-level management personnel with relatively high salaries in comparison with the private sector. Among the whites, the low-income group (under 4 000 rands) represented 33.1 percent of the total in 1980. At that same time the minimum wage in the United States was \$ 4.50 dollars or 11 440 rands, and the proportional number of families with this income was under 5 percent.<sup>11</sup> People who earned over 100,000 rands (48 000 dollars) represented only 0.13 percent of the total in South Africa—but the figure in the United States was 13.6 percent.

We can say in all certainty that apartheid, as a system of extra-economic government regulation of the African labor market, conflicted with the interests of broad strata of the white minority over the long range. Recent events have shown that some members of the Afrikaner ruling circles are inclined to favor political realism. It is no coincidence that F. De Klerk is often called the South African Gorbachev, and this analogy is valid to some extent. The freeing of Nelson Mandela and the legalization of the ANC [African National Congress] were completely incomparable to the rehabilitation of the victims of Stalinist repression in our country.

The new political thinking gave South African Communists a chance to stop idealizing the experience of our country and to make the frank admission that "perestroika in the USSR is an acknowledgement of the incomplete nature of socialist reforms."<sup>12</sup> The criticism in the Soviet press with regard to our remaining forms of authoritarian control is a warning to South Africans against the repetition of some of the "...aspects of our socio-political life in a 'local version.'"<sup>13</sup> Even the new election law in the USSR, according to B. R. Asavan, "does not uphold the principle of one man—one vote," because the nomination of candidates by public organizations allows their members to participate in elections twice.<sup>14</sup> The completely separate and exclusive social infrastructure for the elite—from specialized production shops and whole enterprises to a network of special distributor, special services, special residential construction projects, etc.—has risen according to Ye. Starkov to unapproachable heights. As People's Deputy of the USSR V. N. Yaroshenko said, "in essence, what took shape in the country was a system of separate (emphasis mine)—K. I.) existence."<sup>15</sup>

It is understandable that any attempt by ruling circles to extend the existing new society in South Africa against possible difficulties with the aid of some kind of privileges will also face vehement objections because the masses are apt to see these privileges as the restoration of apartheid, or at least of some camouflaged elements of it. If we examine this list of existing and potential volatile problems, we definitely have to mention the obvious—but of course only partial—analogies in the demographic structure of the Soviet and South African societies. Both are multiracial and multinational to varying degrees. The earliest statements about the mono-racial unity of the "new historic human community" turned out to be just as groundless as the reduction of all of the contradictions of the racist regime to the simple formula of "white minority vs. black majority."

In addition to the traditional friction between the whites from England and the Afrikaners and the ethnic conflicts among the blacks, there is tension in the relations between the mixed-ancestry ("colored"—or mulatto) and Asian communities in South Africa. And what do we have in our country? Recent events have shown that nationalist groups in some republics do not hesitate to coin racist slogans denigrating the non-native population.

The highest number of parallels can probably be found in the state of the economy. The best known parallel is the fact that the two countries are the largest gold-mining powers in the world (the annual output of gold in South Africa ranges from 675 to 715 tons, and in the USSR, according to Western estimates, the figure is around 220-250 tons).

People in both countries frequently worry about the negative effects of raw material exports (gold from South Africa and oil and gas from the USSR) on the structure of foreign economic relations. Parallels can also be drawn between the Council [Coordinating Committee for Multilateral Export Control] restrictions on sales of high-technology complex equipment to the USSR and the international sanctions against South Africa.

Without any fear of suggestion, we can say that these actions played a serious, but far from decisive role in slowing down the economic growth of the USSR and South Africa. In particular, their GNP growth rates decreased from 7.6 and 9 percent respectively in the 1970s to 4 and 1.2 percent in the first half of the 1980s.<sup>16</sup> According to the calculations of R. W. Bethlehem, the South African economy annually "loses" at least 2.5 percent of its potential increment as a result of the sanctions. The only way out of this difficult position was higher foreign indebtedness, but this certainly did not bring about economic growth. Between 1981 and 1988 South Africa increased its debt to Western banks from \$6.7 billion dollars to \$9.3 billion or 64.7 percent of its

GNP, and the USSR debt rose from 26.5 billion dollars to 38 billion,<sup>18</sup> or 21 percent of its export volume. In relative terms, our debt is certainly much smaller than South Africa's.

Whereas all of the circumstances listed above could be categorized as coincidences of a temporary nature, our similarity in one of the basic criteria of economic development—per capita GNP—could hardly be called a coincidence. In spite of significant differences in available estimates due to different methods of converting national currency indicators into U.S. dollars, the per capita GNP in the USSR is only 36.50 percent higher than in South Africa.<sup>19</sup> It is completely obvious that both countries belong to the same group in terms of development levels. It is equally indisputable that the countries in this group cannot be called highly developed by international standards.

The large proportional product of the extractive industry, the low percentage of high technology items in exports and the prevalence of primary basic branches (particularly in metallurgy and the fuel and energy complex) in the economy give the USSR and South Africa common economic features in spite of the absolute differences in their economic potential. The military-industrial complex occupies a strong position in both countries, especially in employment. Conversion is and will remain one of their primary objectives, although with varying degrees of urgency.

The publications of international statistical agencies contain numerous attempts to use purchasing power in so-called international dollars as a means of calculating the per capita portion of the GNP used directly for personal consumption. The figures range from \$1,000 to \$4,000 for the USSR and from \$2,000 to \$2,600 for South Africa. In connection with this, A. Illarionov's calculations, in accordance with which the per capita consumption of goods and services in both countries amounts to \$2,200 in 1980 prices might seem somewhat surprising.<sup>20</sup> Here it is important to underscore the following facts.

The average figures could create the impression that the standard of living of the average person in the USSR is the same as in South Africa. The differences in the distribution of the GNP among the races are not taken into account in these calculations. The official data on this distribution in South African statistics pertain only to the produced product, and not the consumed product. Even if the figure of \$2,200 is taken as the average indicator, we can assume that the figure for the average white (72 percent of the population) is \$4,420 and the figure for the average African (28 percent) is \$1,175. This figure conceals the income of under \$200 for each inhabitant of the bantustans, where only 1 percent of the GNP is produced and where 80 percent of the population lives in abject poverty.<sup>21</sup> It is also clear that the African worker in the South African cities earns five or six times as much as workers in many other African countries because the level of his skills is much higher

Besides this, the need for trained manpower in South Africa has provided a strong incentive to break the color barrier and raise the wages of African technicians as well as workers.

The similarities which cannot be coincidences also include the continuous arguments among South African economists just as those among Soviet economists about the actual level of economic development in both countries. Many of them, and R. Bethlehem is one example, believe that South Africa is "a rich country on its way up from the traditional society to a society of mass consumption" or "an industrial state undergoing modernization."<sup>22</sup> In this case, the system of classification is borrowed from W. Rostow's theories of stages of economic growth. The phrase "from bread to Beethoven" is also borrowed from these theories because this name is quite similar in its English spelling to "bread oven"—a symbol of financial security—and almost indistinguishable from it in pronunciation. The main arguments in favor of putting South Africa in the category of rich countries are its exceptional share of the world's natural resources, the dimensions of its developed territories, the existence of a developed (particularly by continental standards) infrastructure and industry to secure the self-sustaining growth of the economy, and the Westernized standard of living of the white inhabitants and part of the African population. As for our country, the existence of colossal mineral deposits already representing an active element of economic circulation, the diversified and multisectoral industrial structure and several other criteria have allowed many Soviet researchers to believe that the USSR also belongs to the group of industrially developed countries.

The opposite point of view, however, has been expressed in our country and in the Republic of South Africa. In particular J. Blumenfeld feels that "South Africa is a developing country, because its per capita income is lower than in many industrially developed countries and because mass poverty, illiteracy, inequality and unemployment still exist."<sup>23</sup> He underscores the high percentage of raw materials in the country's exports. In other words, this is a relatively poor country. By the same token, an impartial assessment of the state of the consumer sector of our economy and the entire social sphere provides grounds for the assertion that the USSR has much in common with the new industrial states of Latin America and Asia, with the exception of the "Four dragons." If we move away from the somewhat oversimplified division of countries only into rich and poor groups with a statistical boundary between them that can never be defined in exact terms because it is always moving, the intermediate zone between them should be made up of the fairly large group of "medium-developed" countries.

The mutations characteristic of transitional societies at different levels of maturation inevitably call for a choice between different methods of "catch-up modernization."<sup>24</sup> The amazing similarity of the most

important parameters of economic development in the USSR and South Africa and the increasing public awareness in both countries of the need for change have to affect programs for the transformation of existing structures. With the exception of matters connected with apartheid, the different plans for the future transformation of the South African economy differ little from the alternative theories in our own country. Any program drawn up in South Africa, even one declaring the complete freedom of private enterprise, includes the more equitable distribution of the resources and income of the white and black populations and envisages measures to guard against a recession during the transition to the new socioeconomic model. The most pronounced differences of opinion concern the role of the state sector, although fundamental objections to its retention in the future are rarely voiced. In this context, we can say without any exaggeration that a certain degree of socialization of the economy is also being proposed in South Africa.

The feelings of liberal reformist forces are expressed accurately in the following remark by Terence Midi, who studied the experience of the Popular Unity government in Chile: "Rapid movement toward the direct distribution of resources by the state is not a promising option for an economy as complex and vulnerable (to outside influence—K.I.) as the South African one."<sup>21</sup>

The supporters of the mixed economy have rallied round the "soil option." It is essentially a revival of the idea of establishing worker control, which is known to be regarded as a preparation for nationalization in the USSR at one time but was not implemented sufficiently. In the opinion of Vishnu Padayachee, "the bourgeois class should not be attacked immediately, but now that it has owned the means of production for so long, the economy should be put under effective democratic control."<sup>22</sup> As for the state sector, which occupies a strong position in the South African economy, many programs propose, first of all, the conversion of several corporations of the military industry thereby putting them under democratic control as well and, second, the privatization of all other enterprises thereby eliminating unproductive budget expenditures on their subsidization and maintenance. This is actually a plan for the transfer of many of the facilities now controlled by the central government to joint-stock ownership by self-managing work teams and individual workers. "The retention of state property for ideological reasons," the supporters of this option feel, "could be costly and inefficient, especially in the case of large enterprises with complex production processes."<sup>23</sup>

There have been definite objections to the idea that existing foreign economic ties should be weakened or at least minimized for the purpose of mobilizing the "monopolistic profits" of foreign firms, raising wages, and augmenting total internal demand. In other words, the nationalization of TNC assets and the confiscation of TNC profits appear to be undesirable in South Africa. Worker control, which no one has dared to propose in

Significant roles could be assigned in the highly oligopolistic branches of the mining industry, even to corporations with a high percentage of foreign investment. They could be used even more widely to regulate the operations of national, especially African, capital with close ties to the state sector.

In principle, the possibility of indicative national economic planning cannot be excluded. A plan of that kind would define the priorities and deadlines of the necessary steps to success (priority is at least to reduce its absolute volume, because this is the declared main objective of the period of transition to a mixed economy). There is an important distinction here from the experience of Soviet Russia, where the establishment of a mixed-type economy was scheduled during the transition period, and just before. Furthermore, in South Africa land reform is seen as an undertaking for the distant future.

The official perspectives in the USSR on the programs and views of South African Marxists warrant special discussion.

In the past this portrayed the future South African economy as a primarily centralized one, similar to the Soviet model of authoritarian socialism (the first draft of the Freedom Charter is indicative in this respect). The program approved at the recent Seventh SACP Congress proposes what could be called a planned market economy. For the sake of raising the standard of living of the population in general and the black majority in particular "balanced and rapid economic development" is to be secured by putting vitally important sectors under the control of the people. The program acknowledges the need for "the constant reinforcement of the state sector in mining and heavy industry, in banking, and in other monopolized branches of the economy." It says that the national democratic state should define the "general parameters of economic activity" and that the people in general and the workers in particular should "play an important role in the functioning of enterprises" by means of democratic ownership and control of the main sectors of the economy. It guarantees state protection for the interests of private business "wherever these interests do not conflict with national interests."<sup>24</sup>

The SACP program underscores the need to "restore people's ownership of the land." It advises a variety of forms of ownership, including state ownership of large farms, the redistribution of land in favor of those who wish to acquire it, the establishment of cooperatives, and guarantees of the freedom to move and choose a place of residence. It also stipulates the need to surmount the pronounced economic underdevelopment of many rural regions.

The economic reform programs in the USSR and South Africa focus attention on the optimal scales of state property ownership. Denationalization, however, would entail different difficulties in the two countries. In our

industry it would affect virtually every sphere of production to a social degree. In the Republic of South Africa the destabilization of some branches will probably be accompanied by the reduction of state investments into others, and this should have the positive effect of gradually reducing the gap between the white and African standards of living.

In addition to maintaining the present influence of the state sector in the basic and infrastructural branches, which have a low profit margin, in general, a national democratic government might make the conversion of military-industrial corporations its primary objective. In these corporations, just as in administrative agencies and the police force, most of the high-paying positions are occupied by white South Africans.

Recently it has become completely obvious that the redistribution of budget expenditures in favor of education and public health care for the African majority would be a promising way of reinforcing the state's social role in South Africa. This would lay the basis for the further alleviation of inequality. We must admit that the differences in white and black wages in private industry and trade are not that pronounced today and have displayed a long-range tendency toward reduction. In addition to the virtually complete desegregation the progressive trade unions have already accomplished in the sphere of semiskilled labor, the professional training of Africans will have to be improved so that they can have genuinely equal opportunities to become highly skilled workers. The Soviet Union's experience in training for the mass labor occupations will be of considerable value here in spite of its shortcomings.

Stronger state control in the banking sphere for the regulation of the operations of private financial institutions is also possible. Broad-scale nationalization in the highly monopolized mining (primarily gold and diamond) industry does not seem advisable, because the sales of its products are already managed by only a few agencies on a centralized basis. This is expected to facilitate the institution of effective taxation procedures in the future.

The declaration of the monopoly in foreign trade in South Africa, with its relatively high level of integration into the world market, appears to be a historical anachronism, if not an experiment destined to fail. We know that in all of the East European countries which have made the transition to a market economy, direct operations by enterprises in the foreign market have become the norm. Nevertheless, even many Western experts admit that the licensing procedures for foreign economic operations in South Africa are extremely liberal today.

Questions of agrarian and regional policy have become particularly complex. The establishment of large state farms would not fit into the mainstream of development. A cooperative sector voluntarily established by peasants could have the greatest impact. The transfer of plots of land to landless peasants as their private property has

been proposed on a wide scale, securing at least the further reproduction of the family and farmstead. The present situation of the white strata of the rural population would be completely unacceptable, judging by the financial expenses of the Soviet countryside. The ruralization of the development of industrial and rural regions is perhaps a call for the ultimate battle.

In general, the SACP regards a regulated market economy, based on socialist values, as the most acceptable option. It is not suggesting, however, the reproduction of some form of the "African socialism" that was disseminated sufficiently in other countries of the continent.

We can agree with American political scientist V. J. Feier that in South Africa, the basis of an alliance with the military and technocrats from the state sector is acquiring more and more power. As a result, the ruling regime is more inclined to agree to reasonable dialogue to achieve the optimal economic impact. Although the class division of society irrespective of racial differences is acquiring increasing political importance, South Africa does not have the necessary conditions for a classic class struggle. Race is still a stronger factor in the division of society, and not because the original groupings still exist, but because the financial interests of whites and many coloreds and Indians are connected with the retention of racial privileges.<sup>17</sup>

The economic roots of inter-ethnic conflicts can evidently be seen in our country as well.

#### Footnotes

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26. *Ibid.*, p. 10.

27. "South Africa: No Turning Back," London, 1988, p. 102.

28. "The Path to Power: Program of the South African Communist Party. Adopted at the 7th Congress, 1988," AFRICAN COMMUNIST, No. 118, 1989, pp. 113-114.

29. "South Africa in Transition to What?" New York, 1988, p. 10.

## History of Program

— 1 —

### Attack Type (category)

[Text] The economic reform has not yet begun in the USSR, but the theories and programs for the recovery of our economy have already changed so much that a sizable segment of the reading public is completely confused. The history of the collapse of communism has and the history of program drafting in the last year or two are closely related and warrant special interest.

First of all, we might say that the government of N. Rybníkář, I. Šbalík and V. Pavlovič (the key figures in the economic sphere) is probably the most competent one of the postwar period. This was the government that tried to draw up the first sweeping program of reforms, particularly the transition to a market economy. Before this, for 8 years we saw only socialism and wait-and-see. The government suffered some setbacks. The breakdown of the mechanism of reproduction and of institutional structures began to escalate before it could do anything. A stamp in production, which even the Nigra Committee for Statisticians managed to notice, began in fall 1989. The main (if not the only) achievement of this administration was its success in persuading large segments of the public to acknowledge the need for radical reforms, and specifically for market reform in many cases. It was this administration's misfortune that its competence was clearly inadequate to implement the 1990- and 1991st half the reforms. We can sum up the whole situation with a reference to the old Maříšek's formula: The quality of a task and efficiency of administration grow up asymmetrically, while the complexity of the job to be done grows *ab initio* in proportion.

In July 1989, for the first time in many years, there were several scholars in the government, including Academician L. I. Abalkin. He became a department head of the State Commission for Economic Reform (SKEF) of the Union Council of Ministers along with Doctor of Economic Sciences V. I. Vaynshteyn and Candidate of Economic Sciences G. A. Yashkov, who were instrumental in the whole last year from summer to summer in organizing the work of the commission and drafting its documents. Looking ahead, we have to say it was not their fault that the reforms did not begin at that time. Academician Abalkin's position in the Council of Ministers, given the role of deputy premier, was rather precarious. From the very beginning, relying by all indications, because the main economic departments were not under his jurisdiction. Besides, it would be difficult to imagine our country making a run for the market in fall 1989. The speedy transition to the market in the East European countries had some effect on public thinking in our country as well, but the position of the economic crisis and the government's extremely anti-social measures induced by stagnation

The first big fight over the reform took place in November-December 1989. The market transition ideas of the GKER measures to stabilize the economy and the plan for the next 5 years were discussed at an applied-science conference and meeting of the Council of Ministers in November. Although the GKER document, prepared mainly by Yavlinsky and Yasin and then perfected with the help of V. Mashchits, Ye. Gaydar, and V. Rappoport, was approved (which was not true of two others), when the prime minister's speech for the Second Congress of People's Deputies of the USSR (14 December 1989) was being drafted, only a few general statements in the program, and none of its specific proposals, were included in the speech. The failure of the government's December program (see the "Economic Monitor" rubric in *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA*, No. 3, 1990) was obvious by the end of January 1990. The country greeted the new year with a congress resolution to stabilize the economy and complete the transition to the market in the next 2 years.

Since the beginning of 1990, problems in the transition to the market have been investigated simultaneously by several teams in Moscow, with a number of members in common, and by numerous auxiliary groups, task forces, and individual economists throughout the country.

In January Corresponding Member N. Ya. Petrakov became one of the president's advisers and began preparing his own package of documents with the help of economists from the CPSU Central Committee (especially B. G. Fedorova), the Central Economics and Mathematics Institute, Institute of Economic Problems of Scientific-Technical Progress, Institute of World Economy and International Relations, and Institute of U.S. and Canadian Studies of the USSR Academy of Sciences, and other scientific establishments. The package (see *IZVESTIYA*, 5 April 1990) was ready in April-May 1990 and subsequently became one of the informational sources of the Gorbachev-Yeltsin working group. It put the emphasis on bills and statutes to put the country's financial system in order and establish an institutional basis for the denationalization and incorporation of industry.

Another event affecting the future of the reform took place in March. Academician S. Shatalin was appointed to the Presidential Council.

The "400 Days" program had already been prepared in February by members of the GKER—G. Yavlinsky, M. Zadornov, and A. Mikhaylov. It acknowledged the need for a swift transition to a market and for synchronized measures in all areas of reform, envisaged a set of alternative measures, and set some guidelines for further progression. In short, it was based on several of the principles the "president's" group had employed in August 1990. March and April, however, were not the right time for this.

The union administration wanted to perfect the old program. It was not ready to acknowledge the extraordinary nature of the situation and the need for radical steps in the direction of the market. The old system had already broken down, but there was nothing to take its

place. The energy of Gosplan and other regulating agencies was taken up almost completely by anti-crisis measures under the conditions of the disruption of rail traffic, the strikes, the closure of several enterprises of vital importance for ecological reasons, etc.

The republic supreme soviets and union government were not fully aware of the rapid deterioration of financial conditions. Under pressure from voters, the union parliament and the new republic parliaments approved one social program after another. The cuts in centralized investments were not enough to stop the growth of the budget deficit, which was covered by issuing more money. The annual currency issuance plan was fulfilled in the first 7 months of the year. From the beginning of the year, mistrust of the government was expressed in a classic market form, the refusal to buy government securities. In world financial markets, our overseas bank deposits were dwindling, because the banks refused to renew commercial credits. Gold began to be sold on a mass scale.

The government was unable to keep the situation under control. It did not take a firm stand against higher spending, it did not sound the alarm even in summer, when the situation got worse with each day, but continued to print money silently expressing concern only in connection with the delays in the conclusion of economic agreements for 1991. Public discussions of the program finally focused attention on financial problems. On 15 September the USSR Supreme Soviet Presidium formed a special commission to monitor the issuance of money and the foreign debt. The train had already left the station, however, and it was too late to use conventional methods of stopping the crisis.

Systematic expert appraisals of our government's intentions with regard to market reform were conducted—probably for the first time in the country's history—in the International Institute of Applied Systems Analysis in Laxenburg (Austria) at the beginning of March and in Sopron (Hungary) in July and August. Soviet scholars made a series of reports, which were analyzed in detail by leading Western scholars. These seminars were attended by experts from Hungary, Poland, Czechoslovakia, Yugoslavia, and other countries. The Polish experience in shock therapy and the reforms in other East European countries were analyzed to guard against the repetition of their errors and the reliance on the favorable factors that do not exist in our country. Most of the authors of the Soviet reports either worked on the "president's and chairman's" program in the Arkhangelskoye vacation center or contributed materials to this program later. Obviously all of these materials were present in the Sosny center, where the government's program was drafted in the summer, but the people who had prepared them, with just a few exceptions, were not present.

The work on the government program continued, but it was interrupted for the preparation of N. Ryzhkov's speech for the union Supreme Soviet. The people who wrote this speech inserted a reference to higher wholesale and retail prices, including the price of bread. This was followed by 24 May N. Ryzhkov's speech and the mass panic in the stores.

(see the "Economic Monitor" rubric in MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 8, 1990). The search for new approaches gave birth to the Council on Alternative Approaches, the chairman of which, A. Aganbegyan, criticized government approaches severely in his final report, but did not offer any comprehensive alternative plans.

The situation in summer 1990 was dramatic not only because of the economic difficulties, but also because of the rapid changes in the internal political situation. The republics' declaration of sovereignty became a fact. Under these conditions, M.S. Gorbachev and B.N. Yeltsin reached an agreement, which came as a surprise to most observers, on the joint drafting of a program of transition to the market. This agreement, signed by the premiers of the union and the RSFSR, could serve as the basis for a single program. The original members of the working group were chosen with a view to this objective: two members from the president's office (S.S. Shatalin and N.Ya. Petakov), two from the union Council of Ministers (L.I. Abalkin and Ye.G. Yasin, S.V. Aleksashenko also worked on the program), four from the Russian Council of Ministers (Deputy Premier G.A. Yavlinsky, Minister of Finance B.G. Fedorov, M.M. Zadornov, and A.Yu. Mikhaylov), and five from the USSR Academy of Sciences (V.A. Martynov, N.P. Shmelev, A.P. Vavilov, V.M. Mashchits, and the author of this article). This "team" went to work in the Russian government's Arkhangelskoye vacation facility.

Because the union Supreme Soviet had resolved on 13 June that a government program be completed and submitted to the Supreme Soviet by 1 September, the administration's "team" in the Sosny facility spent the whole summer drafting a new document, but used old ideas as the basis. The administration finally submitted this program at the beginning of September, but it was clearly out of tune with the real situation in the country. It still insisted on administrative price increases on 1 January and did not propose any decisive measures in the sphere of finances and the reduction of the budget deficit. The main thing, however, was its failure to acknowledge the scales and depth of the crisis: not in words, but in the form of a set of radical proposals.

We have to admit that the union government restricted the access of the "president's" group to information. Some things (the details of the budget situation, for example) were learned only in September, after the program had been sent out. Nevertheless, a program of almost 300 pages (plus a package of legislative bills) was prepared in less than a month by only 10 or 12 "pens." Representatives of union republics took part in drafting many of its provisions, and there was a meeting with representatives of autonomous republics. Emissaries from the strike committees of several coal fields offered the group advice almost continuously.

On 11 September the program was approved by the Russian parliament. That same day, along with the government program and the coordinated document prepared under the

supervision of Academician A.G. Aganbegyan (covering only some of the problems and based on the program of the "president's" team), it became the subject of heated debates in the country's Supreme Soviet and was sent out to the republic supreme soviets.

At that moment the fate of the program became part of the new stage in internal political affairs and the focal point of widespread public discussions of ways of emerging from the severe economic crisis and the principles of the transition to a market economy.

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#### Developed World's S&T Aid to Iraq Examined

AU 281212Z 90 Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 11, Nov 90 (signed to press 15 Oct 90) pp 114-116

[Article by Sergey Vasilyevich Morgachev, MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA correspondent: "For Whom the Bell Tolls"]

[Text] ... It looks like we are assembling a machine which will crush all of us.... (from a popular song)

Indeed, the hypocrisy of politicians is only matched by their cynicism

Iraq has invaded Kuwait.... Iraq is threatening to use chemical weapons.... Iraq is about to get the nuclear bomb. Well, enough of this, or were we really born yesterday? The international community has been pumping offensive weapons into the "third world" for decades, shutting its eyes to the spread of the technologies suitable for creating means of mass destruction. It will have to bear responsibility for this, a responsibility the whole gravity of which it is only just starting to comprehend.

Iraq is just one, although a significant, example. We will not dwell upon the fact that the Mig-23, Su-20/25, and Mirage-F fighter aircraft and the T-62/69/72 and PT-76 tanks, with which the Iraqi Army is equipped, were not sent down by Allah but sold to Iraq by the Soviet Union and France. Somewhat less well-known are the circumstances of Iraq's struggle for the acquisition of nuclear, chemical, and missile weapons. Only a very few persons in Baghdad itself know all of this.

Based on the information that we could get, and which is therefore obviously incomplete, we can assert that the following developed countries are (or were) involved in Iraq's nuclear program:

—France, which, in accordance with intergovernmental agreement, supplied the nuclear center near Baghdad with the Ozirak nuclear reactor for research purposes, although this reactor is suitable for manufacturing considerable quantities of plutonium 2 (in 1981, this center was bombed by Israeli aircraft and suffered considerable damage) and which also supplied highly-enriched uranium for this reactor.

—Italy, which, in accordance with intergovernmental agreement, supplied the same center (prior to the Israeli bombing) with various facilities, including those for separating plutonium from other reaction products, and also with natural uranium

—the Soviet Union, which, at the very beginning of the nuclear research in Iraq (in the sixties), built a research reactor—it was of a very low capacity but played its role in the training of personnel and in the mastering of nuclear technologies—and supplied highly-enriched uranium for this installation

—China, which, according to data from American sources, assisted Iraq in creating a uranium processing plant in the eighties.

—industrial firms, private persons, and banks in the United States, the FRG, Great Britain, and Italy that during the past decade, made attempts to supply Iraq with weapons-grade plutonium, equipment for centrifugal uranium isotope separation and various components and appliances suitable for the creation of operating nuclear munitions and which took care of financing all these operations

By the end of the seventies, Iraq had at its disposal a "complement" of industries enabling it to manufacture on the basis of natural uranium, a certain amount of plutonium—from one-half kg a year (according to the French estimates which may be understated) to between five and 10 kg (according to the American and Israeli estimates which may be overstated). It is precisely between five and 10 kg plutonium which is required for manufacturing a nuclear bomb.

The problem arose of purchasing large quantities of natural uranium, and it was resolved. At the end of the seventies and the beginning of the eighties, Brazil, Portugal, Nigeria, and Italy were the suppliers. In view of the fact that the only possible use of natural uranium in the reactor supplied by France was manufacturing the material for a plutonium bomb, these purchases in combination with certain important technical details were regarded by Western experts to be ultimate proof of the assumption that Baghdad's nuclear program had been militarily oriented.

Immediately after the [Israeli] raid in 1981, Iraq started restoring the "Ozirak" installation and, according to American estimates, it is now capable of operating at full power. Saudi Arabia took part in financing the work of the nuclear research center. However, Western specialists are inclined to believe that the monitoring by the International Atomic Energy Authority, which has now become more stringent and based on new technological facilities, practically rules out direct utilization of the center for military purposes.

It is known that in the eighties, Iraq reached an agreement with France on the shipment of a new research reactor and with the USSR, on the shipment of a power reactor. There has been no information as to whether or

not these plans have been realized. It may be assumed that they were frozen for the period of the Iran-Iraq war. Information also filtered into the press to the effect that in 1987, France offered its assistance in restoring the "Ozirak" installation. However, the cooperation did not take place because France refused to supply equipment that could utilize highly-enriched uranium.

It is conjectured that Saddam Husayn's present plans are associated with the possibility of obtaining ready plutonium—or, which is more in line with the generally recognized fundamental character of his approach to the nuclear program, with the creation of Iraq's own center for uranium enrichment and for manufacturing uranium munitions.

Based on the characteristics of the components Iraq tried to obtain, a number of American experts conclude that Baghdad is between two and three years away from being able to create its own nuclear weapons. This is the opinion of US military intelligence specialists, which is shared by a number of well-known civilian experts. On the other hand, US Congress experts maintain in a recent statement that Iraq is still a long way from being able to complete its nuclear program. Nor does the Yearbook of the Stockholm International Peace Research Institute [SIPRI] think much of the possibilities of this program and it lists Iraq among those countries whose technological potential does not, so far, enable them to manufacture a nuclear bomb.

With regard to Iraq's chemical weapons program, which, in contrast to the nuclear program, long ago led to the creation of Iraq's potential for manufacturing its own chemical weapons and even to their utilization in the war against Iran, at least the following agents participated in its realization:

—Dutch firms that, in the eighties, supplied various chemical compounds required for manufacturing mustard gas, tabun, and sarin and which, in some cases, did so in violation of their national legislation

—firms of the FRG that, by the mid-eighties, had supplied facilities suitable for manufacturing the aforementioned toxins and continued to do so even later (a criminal investigation of this affair is presently under way in Germany).

Finally, as is well known, Iraq has long had at its disposal ballistic missiles as well as design centers and industrial capacities for their development and manufacture. According to SIPRI the following agents assisted Iraq in its missile programs:

—the USSR, which supplied the missile complexes "EROG" and "Scud-H" (with respective ranges of 70 km and 200 km) and which provided technological assistance in the development of the "Al-Husayn" missile (650 km) already added to Iraq's military arsenal. (The latter missile is an improved version of the "Scud" system; the USSR gave similar assistance in

the realization of the program for the creation of yet another modernized version of "Scud"—the "Al-Abbas" missile (900 km).

—firms of the United States, the FRG, Sweden, Austria and Switzerland and Italian banks that took part in the (not yet completed) program for creating a missile complex on the basis of the Argentine ballistic missile "Condor-2" (1000 km) and in a number of Iraq's other missile programs

Nobody can stave off the emergence of new Saddam Husays, but it is a duty of the technologically developed countries to prevent them from being combined with weapons of mass destruction that might produce a single dangerously explosive "mixture." The question of supplying the Third World with weapons and military technologies has long (about 15 years ago) ceased to be a purely ethical and a general political issue and has become one affecting the security of the developed countries themselves. The great powers, which have been engaged in disputes between themselves, including those pertaining to the Third World, did not attach due significance to this fact. Nowadays, at the end of the 20th century, the geostrategic pattern of military relations has entered a period of dynamic qualitative changes. The relatively simple bipolar system of military-strategic confrontation based on the possession of weapons of mass destruction is gradually developing into a complicated combination of, first, regional subsystems of the same type (with the participation of both great powers and new "local" characters) and, then, also into a multipolar geostrategic system of relations taking into account the potential of nuclear and "chemical" pressure.

The nature of the weapons of mass destruction is such that even total superiority of its arsenals at the disposal of the great powers over those owned by its new possessors does not by any means rule out the possibility of nuclear blackmail on the part of the latter. Finally, the great powers will not be able to monitor the development of crisis situations in the Third World, situations that may involve the element of the mutual threat of using nuclear or, for example, bacteriological weapons.

Israel already has its own nuclear weapons, well advanced on the way to creating them are India, Pakistan, the Republic of South Africa [RSA], Brazil, and Argentina. Iraq, Libya, Taiwan, and North Korea are also developing their own nuclear potential.

According to the data available in the West, Egypt, Ethiopia, Israel, Taiwan, North Korea, Syria, Iraq, Libya, Iran, Vietnam, or, at any rate, the majority of the aforementioned countries, possess chemical weapons. According to the SIPRI data, Argentina, Brazil, Algeria, Cuba, Egypt, India, Indonesia, Iraq, Israel, North Korea, Libya, Pakistan, Saudi Arabia, the RSA, Syria, Taiwan and Yemen possess missile weapons with dissimilar range capabilities, as follows from most recent communications. Israel is completing a program for the deployment of such weapons on board its submarines.

We need to elaborate a qualitatively more effective international policy in order to prevent the contemporary types of offensive weapons and weapons of mass destruction from proliferation in the Third World. This policy must not be affected by the personality of those leaders who are at any given moment in power in one Asian, Latin American, or African country or another nor must it depend on the characteristics of particular political regimes or regional situations. Situations change and regimes and leaders come and go, whereas weapons remain. A new policy must be oriented toward strengthening the Treaty on the Non-Proliferation of Nuclear Weapons and must make provision for adopting corresponding tougher national legislations and creating new monitoring structures at international and national levels; in addition to this, it must stipulate for taking other measures, including imposing an unconditional ban on all sales of modern types of offensive weapons. The dissimilar approaches toward specifying this notion could be coordinated by taking into account the experience of the negotiations on the armed forces reduction in Europe. Sales of some nonnuclear military technologies, especially those involving missiles, must also be banned and the observance of this ban must be strictly verified.

The present character of the relations between the developed countries and their cooperation in the course of the Kuwait crisis are creating conditions for implementing these decisions.

In the course of between 5 and 10 years, the research-and-production basis of military industry in a number of Third World countries will, in all probability, reach a certain new phase within the framework of which this industry will be able to develop further on its own foundation and with the help of the exchange of technologies between Third World countries. At that stage, the control by the traditional military powers over the proliferation of military technologies will already be much less effective. In this sense, we may say that the present crisis in the Persian Gulf region is the last sounding of the bell which is reminding the developed countries about their responsibility and the need for coordinated actions.

Will it not turn into that toll about which Hemingway wrote: "Ask not for whom the bell tolls. It tolls for thee?"

#### Footnotes

<sup>1</sup> See "The Middle East Journal," No. 4, 1983, pp. 565-583; "The Sunday Times," 19 August 1990; "Times," 25 August 1990 and "The Wall Street Journal," 4 April 1991.

<sup>2</sup> Plutonium or highly-enriched uranium [with more than 90-percent U-235 isotope], is used as the fissile material for the production of nuclear weapons.

3. See "Macleans," 15 December 1986, pp 22-24; "The Financial Times," 24 August 1990

4. See "SIPRI Yearbook, 1990," N.Y., 1990, pp 378, 379, 387.)

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### Recent Publications

914M0003G Moscow MIROVAYA EKONOMIKA I MEZDUNARODNYYE OTNOSHENIYA in Russian No 11, Nov 90 (signed to press 15 Oct 90) pp 156-157

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Shevchenko, N.Yu., "Yapono-amerikanskiye ekonomicheskiye otnosheniya na sovremennom etape" [Contemporary Japanese-American Economic Relations], Moscow, Nauka, 1990, 204 pages.

The following work is being prepared for publication in the Progress publishing house:

Yuriy A. Yukhananov, "This Divided World... Dialectics, the Systemic Approach. International Relations and Conflicts."

What is the systemic principle (or systemic approach) and how does it relate to dialectics? Is it valid to divide conflicts into "antagonistic" and "non-antagonistic"? What are the characteristics of the "man of reason" and what are the

political superstitions of the nationalized individual? What place does class "struggle" occupy in world politics and what is the systemic view of international political conflicts? How many have there been since World War II? Can the activity of the United Nations to settle conflicts be transformed into the subject of systemic analysis and into a set of specific informational statistics, can its effectiveness be measured, and can its future potential be revealed? Does the UN Charter require revision and to what extent?... These and other important questions pertaining to philosophy, politics, and international relations are addressed in this book.

Besides this, the detailed description of the methods of analyzing the United Nations' many years of experience in maintaining international peace and security and extensive research information can be used, in the author's opinion, in the development of an interesting software product—a computer game entitled "The United Nations and Conflicts," which could be intellectually stimulating for the user and help to educate him in the spirit of peace.

The monograph is 25 quires in length.

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